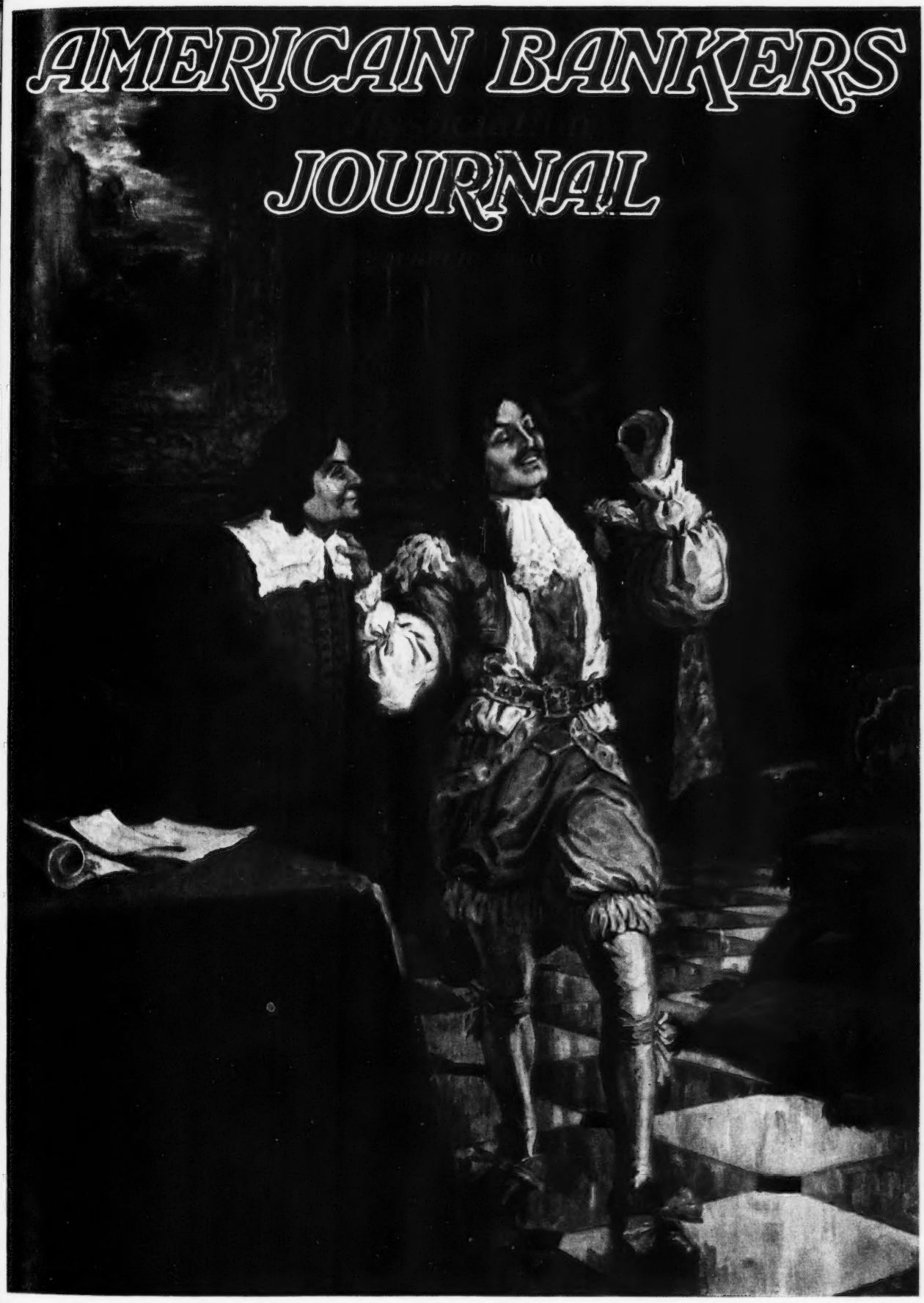
AMERICAN BANKERS JOURNAL

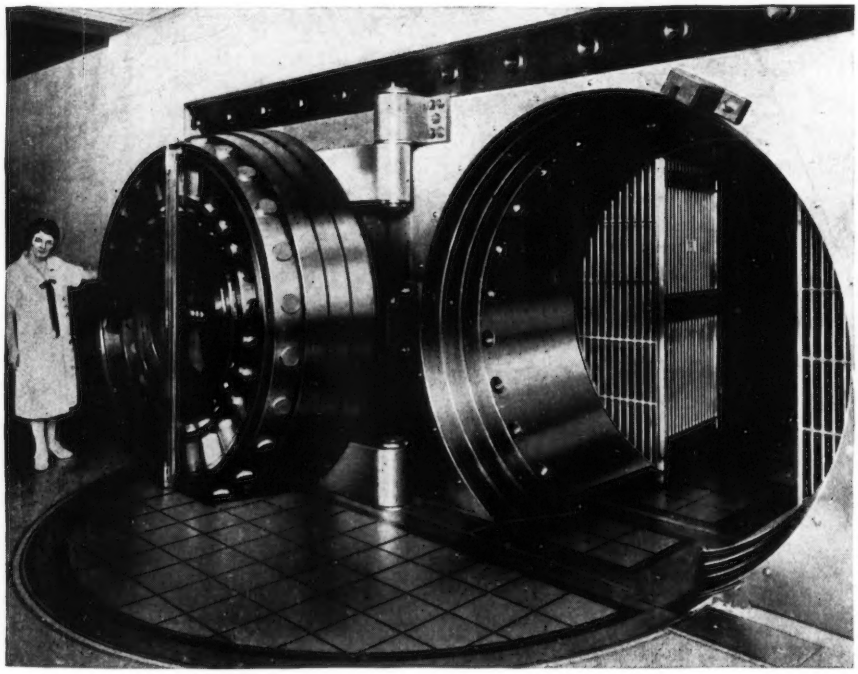


The Pine Tree Shilling

Cover Story on Page V

Published in Two Sections—Section One

Pure Copper.. the latest safeguard in bank vault construction



Vault door in First Seattle Dexter Horton National Bank, Seattle, Wash. Protected by a thick plate of Copper.

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The Pine Tree Shilling

[THE JOURNAL COVER ILLUSTRATION: FROM A PAINTING BY WALTER DE MARIS]

TRICKERY, like treason, is odious; diplomacy is delightful. Patriotism places one incident in the life of the Pine Tree Shilling of the Province of Massachusetts Bay in the category of a diplomatic success. By other standards the subtilty by which a crisis in the life of the first American coin was passed might be classified with a harsher word.

It will be recalled by those familiar with Colonial history that the Colonists back in the 1640's had plenty of trouble in struggling along. One of the defects of the times was a lack of currency with which to transact business; and with never a thought that they were doing anything unauthorized they, in 1652, established a mint in Boston and began to issue the coin known as the Pine Tree Shilling.



So they ran along coining money in a crude way for several years, with the Home government paying little attention to them chiefly because over in England they were so busy with the great things Oliver Cromwell, the dictator, was doing to set his country right both within and without. But his dictatorship passed, as they all do sooner or later, and Charles II came to the throne.

But when Sir Thomas Temple, Governor of Nova Scotia, who had been commissioned by the Colonists to represent them, called upon the King to establish relations with the new government, he found the monarch to be upset and angry because the Colonists had a mint and currency of their own, for mints were not common things to be set up by anyone. The issuance of currency was held to be the King's exclusive right.

Now it may be recalled also that this same Charles II had after the famous battle of Worcester in England hidden himself in an oak tree. Sir Thomas kept that fact in mind when he gained a second, and a private audience, with the King and the latter was examining the usurping coin. When the King asked what tree was supposed to be represented on the coin, Temple stooping to a pious lie, told him that it was the Royal Oak.

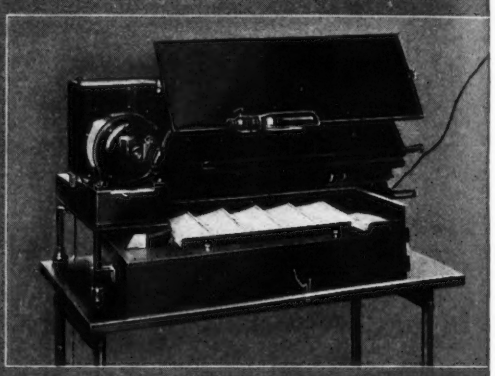
AS the mint had been founded during the dictatorship of Cromwell, the Colonists, the diplomatic Temple explained, would not have been permitted to issue a coin bearing the King's name but like loyal subjects and true, they did the best they could under the circumstances and showed their loyalty by gracing it with the Royal Oak.

This mollified the King—for potentates, like peasants, may be flattered—and averted, for that time, the abolition of the first American mint and the suppression of its quaint currency, so vital to the commercial needs of the Colonists.

THE GREAT NATIONAL CITY BANK OF NEW YORK
EMPLOYS A TODD CHECK SIGNER







LEFT: *The Todd Check Signer which serves The National City Bank of New York.*

TOP, ABOVE: *The intricate signature affixed by the Todd Check Signer is almost impossible to counterfeit.*

DIRECTLY ABOVE: *Rear view of Todd Check Signer, showing stacker which arranges checks in numerical order.*

OUTSTANDING, on the long list of users of Todd Check Signers, is The National City Bank of New York with aggregate assets of more than two billion dollars! To affix signatures by hand, to the huge number of checks issued by such an institution, would obviously entail hours and hours of cramping physical labor. National City Bank has conserved the time and energy of its personnel by installing a Todd Check Signer. The signing of checks is now a detail task like typing and filing.

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TODD SYSTEM OF CHECK PROTECTION

This Month's Journal *and* Your Own Bank



FEW issues of this magazine have contained more matter of practical application to all branches of banking than does this of March, 1930. The articles include the whole wide range of banking activities—commercial, savings, trust company, the Federal reserve.

IT may be recalled that there has lately been raised a question as to whether or not there was sufficient authority in the Federal Reserve Act to warrant such cooperation between the Federal Reserve System and the Bank of England as has been reported to have existed. Prof. E. E. Agger, the economist, writing in this issue, leaves the question of legality to the legal fraternity for decision and interpretation and proceeds to a discussion of the question, "Can the Federal Reserve System be Internationally Isolated?" It is an illuminating article for practical men. As it runs, the reader will realize anew that as long as we and other great countries are on a gold basis, the ups and downs of gold must have an immediate and direct influence on credit and business in this country, for, he reminds us, the price of gold is not fixed within the United States but in the international markets. His conclusion is that a reasonable amount of cooperation between the central banks is desirable.



A SPLENDID lot of information for those engaged in fiduciary business was brought out at the Mid-Winter Conference of the Trust Companies in New York City. Chief among this is the presentation by James H. Perkins of the "Uniform Trust," the method used by the City Bank Farmers Trust Company of New York in managing its trust investments. The plan Mr. Perkins describes is interesting of course, but beyond that, of extreme value in this age when trust business is growing by leaps and methods must be of a character to take care of an increasing volume of business.



HOW rapidly the trust company business is developing is outlined by Francis H. Sisson, vice-president of the Guaranty Trust Company of New York. Even in these days of big things, of quick, rapid, business developments this turning of the people to fiduciary corporations for a service heretofore largely delegated to individuals is commanding; yet it is not the size of the business already attained that is alone remarkable; it is the rate of growth that is the significant thing to bankers.



A LIVE subject is that which is discussed by Col. D. W. MacCormack of the Irving Trust Company of New York, which has handled over 759 receiverships and he gives the set-up of a special department his institution had to provide to take care of that class of business—a business of many angles and many perplexities, with plenty of chances for the exercise of business acumen and banking resourcefulness. The acceptance of this class of business by one company may be the beginning of a new chapter in banking history—hence Col. MacCormack's paper should be carefully studied.

Examine these Books for Bankers



How to Read a Financial Statement
By Herbert G. Stockwell

PREPARES you to take any balance sheet that comes before you and get from it a well supported picture of the present financial condition of the company issuing it. Using numerous representative statements as illustrations, Mr. Stockwell explains how to reconstruct the features of policy indicated and points out the symptoms that should put you on your guard. Will help you interpret the complex conditions and accounts met mainly in larger corporations and in consolidated forms of holding and operating companies. 443 pages. **$4.50**

Mathematics of Finance
By James V. Toner

A TIME-SAVING manual, adequate for all lines of finance. Shows derivation of necessary formulas without complicated mathematics, and illustrates their application. Gives you direct, accurate methods of handling interest and discount, annuities, sinking funds, amortization, bonds, depreciation. Includes tables of logarithms, compound interest, present worth, the amount of an annuity, and periodic payments for amortization of interest-bearing debts. Explains also the accounting procedures involved. 364 pages. **$4.00**

Wills, Estates, and Trusts
By Thomas Conyngton, H. C. Knapp, and P. W. Pinkerton

A MANUAL of law, procedure, and accounting. Explains the application of the laws which govern descent and distribution of property with and without a will, and the powers and limitations of those called upon to settle up estates. It explains fully the services and the duties of a bank or trust company acting as trustee for individuals or institutions; as custodian, fiscal agent; depositary, transfer agent and registrar for corporations; and as corporate trustee for bondholders. It also explains the details of accounting, especially important in handling an estate. 825 pages. **$6.00**

Corporation Procedure
By Thomas Conyngton and R. J. Bennett; Revised by H. R. Conyngton

A MANUAL for officers, directors, and others concerned with the management of a corporation. Gives you plain counsel and working procedure showing exactly what to do in every problem you are likely to meet in the everyday operation of a corporation. Covers how to organize and direct its affairs; run stockholders' and directors' meetings; issue, transfer, and retire securities; keep the corporate records; render reports. Includes 341 forms for transacting every normal type of corporate business. Clears up points of corporate law and their application. For twenty-five years the standard authority. 1479 pages. **$10.00**

Financial Handbook
Edited by Robert H. Montgomery

A HANDBOOK of tested principles and practice covering every aspect of handling business finances. Embodies in concentrated form the experience of the business world to date on matters of financial management. 37 sections by 35 specialists, covering budgets, control of current operations, capital structure and policies, insurance protection, investment trusts, security markets, mathematics, inventory investment, traffic management, etc. Assembles a vast fund of useful information to which bankers must continually refer—equivalent to ten volumes of usual type. 1757 pages. **$7.50**

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AND sufficiently explanatory is the mere title of the paper by L. H. Roseberry, vice president, Security-First National Bank, Los Angeles—"What Is Adequate Compensation for Trust Service?", a subject in which every one furnishing trust service is interested.

IN the establishment of a trust department nothing is more important than to get off on the right foot. Gilbert T. Stephenson, vice president of the Equitable Trust Co., Wilmington, Del., tells how to get started right—and of some of the danger points to be avoided.



WHEN the volume of insurance trusts increases 367 per cent in three years there must be some good reason for it. C. Alison Scully explains why this unusual expansion has taken place and shows in which parts of the country it has been most pronounced. Moreover he has evolved a set of concise and interesting rules for the founding of trusts on insurance.



WHILE Congress is interested in finding out how chain and branch banking will affect banks in general, Elbert A. Carter asks how these changes will fit in with the Federal Reserve System. He finds that the spread of group banking has not yet had a notable effect on the system, although he believes there is a tendency on the part of chain bank units with a reserve membership to rely less on the reserve banks. On the other hand he feels that independent banks may find the reserve system in final analysis a very good means of preserving their independence.

OUT of the problems lately presented by common stocks as collateral, has grown the need for some means of keeping the work that they entail under a control that is safe and reliable. H. G. Parker of the Standard Statistics Company surveys the situation which the rush of the public to common stocks has created for the banker to wrestle with.



WHAT is the outlook for bank earnings?

In a period of low money rates must bankers be content with reduced earnings?

Joseph Stagg Lawrence contributes an interesting article on the outlook for bank earnings. An examination he has made of earnings during periods of high rates, and of low rates gives results that may brighten the prospect for some few who have assumed that with an easing of money earnings must necessarily go down.

THERE is one event that seems destined to make 1930 an outstanding year in world financial history. It is the formal launching of the Young plan. One important step in this enterprise is the flotation of a German reparations loan totalling approximately $300,000,000. Perhaps a quarter of this amount will be offered in the United States. Max Winkler discusses the task faced by bankers of the five continents, who will undertake shortly to sell these bonds to the public.

He recognizes the fact that conditions in the bond market may not be entirely favorable but recalls the successful flotation of $110,000,000 in Dawes loan bonds of 1924, when "it required courage to buy a European bond." Meanwhile, the decks, he says, are being cleared, not only on this side of the Atlantic but in the banking centers of Europe as well. Mr. Winkler describes this process in clear, interesting detail.

THE government recently assumed a colossal new job of furnishing an authoritative retail credit diagnosis of the entire country. Waldon Fawcett gives us a close-up view of the machinery. He believes that the Department of Commerce, in its role of national business reporter, may seek the active cooperation of bankers throughout the United States. At first only the principal cities will be covered. When the Government sets out to assemble statistics, store by store, on losses, bad checks and fraud, it is a program that concerns bankers intimately.

"HOW did American investment trusts and trading corporations meet their first test in the break of last October and November?

That is a question which Charles F. Speare propounds and then proceeds to answer in one of his characteristically clear articles. "One of the benefits of the recent experience," he says referring to the stock market collapse, "so far as the public is concerned, is that of greater publicity and in turning the attention of the 'trusts' away from trading profits and toward regular income from interest or dividends on long-term securities."

Upon what basis do you solicit business?

■

Sound bank management disregards neither the material nor intangible value of association with institutions of proven responsibility and standing—a wise rule of business that has been put to the test in a thousand emergencies.

You appeal to your customers on the strength and prestige of your own bank. Can you be less particular in the choice of your city correspondent?

■

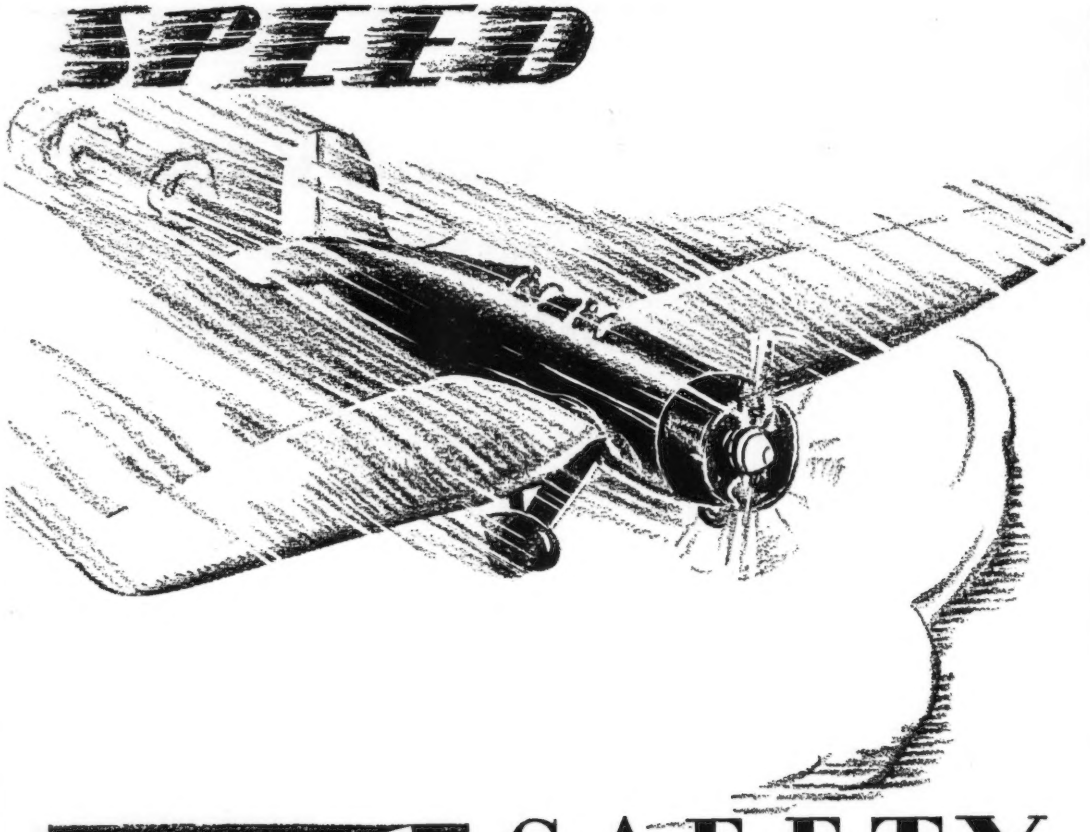
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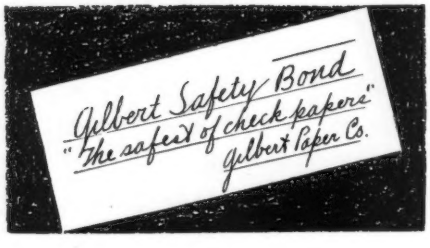
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AMERICAN BANKERS ASSOCIATION JOURNAL

Can the Reserve System Be Internationally Isolated?

BY E. E. AGGER
Professor of Economics, Rutgers University

As the Value of Gold Is Not Fixed by the United States, but in an International Market, Changes in the World Position of Gold React on Our Whole Business System. Reasonable Cooperation With Central Banks and International Bank Necessary.

IN the course of a speech delivered in the House of Representatives on Feb. 10. Representative Louis T. McFadden, chairman of the Committee on Banking and Currency, criticized the Federal Reserve System for the credit it extended to the Bank of England in connection with the restoration of the gold standard in England and for otherwise cooperating with European central banks in matters of world finance. He contested not only the legality of such activities, but more particularly the policy which they reflected. The assumption from which Mr. McFadden appeared to proceed was that the Federal Reserve System is purely a domestic affair, and, as such, should carefully avoid any contact of a cooperative nature with international finance.

Cannot Be Isolated

IT is not presumed in this place to criticize Mr. McFadden. But in matters of policy, whatever his own convictions, he himself would be the last one to resent vigorous discussion. Indeed, in the first of a series of articles in the *Saturday Evening Post*, he expressly invites it.

To lawyers may be left the task of wrestling with the question of the legality of what the reserve banks did to help some of the European countries to get back to a gold basis, or with what was subsequently done to insure a smoother working of the gold standard. It is to be presumed that the banks did not act in these matters without first seeking competent legal advice. In any event it is not with the legal aspects of the question that we are here concerned.

It is also not a part of the present purpose to discuss the wisdom of the specific activities of the reserve banks to which Mr. McFadden alludes in illustration of his criticism. There may be those who would favor Federal reserve cooperation with other central banks who might still criticize any given method of effecting such cooperation. Discussion of details of policy, however interesting they may be, would carry us too far afield and might tend to obscure, rather than to illuminate, the fundamental issue, that namely, whether the reserve system ought to abstain from cooperation in international finance with the central banks of other countries.

Mr. McFadden wishes the reserve system to avoid any appearance of cooperation with European central banks in matters pertaining to international finance. He is especially suspicious of the projected Bank for International Settlements. It is here that we take issue with him. The thesis that we propose to defend is that the banking system of the United States, without in the least sacrificing any essential of independence, cannot possibly be disconnected from the systems in other countries, and that safety and efficiency here at home require reasonable cooperation on the part of our own system with the principal central banking institutions of the world, and, in time, with the Bank for International Settlements as well.

Necessities of the Gold Standard

ATTENTION may first be called to the necessities growing out of the gold-standard money system itself.

Our money is on a gold basis. Our unit, the dollar, is equated in value to that of 23.22 grains of fine gold. Every coin, paper bill, check or other credit instrument expressed in terms of dollars has a value determined by its corresponding gold equivalent. While not all our money is specifically redeemable in gold, it is the express policy of our Government to keep it all at par with gold, and sundry expedients are relied

upon to guarantee the maintenance of such parity.

The point of importance here, however, is that the value of gold itself is not fixed in the United States or in any other single country, but rather in an international market. Changes in the world position of gold, however such changes may originate, affect the money and credit systems of every gold-standard country. Our own gold reserve, our credit superstructure resting on these reserves, our price level and all our business interests naturally involved in these matters are to a considerable degree dependent upon what is going on in the world at large with respect to gold, to its use and to its value.

International Forces Always at Work

THE international forces implied in the operation of the gold standard normally work themselves out in the foreign exchange market. In that market the money units of different countries are brought into competitive value relations with each other through the purchase and sale of drafts and of bills expressed in terms of such money units. At any moment, for example, we can learn the relative value of the dollar and the pound sterling by ascertaining what the sterling exchange rate is in New York—or, conversely, what the quotation of dollars is in London. In every gold-standard country gold necessarily has a fixed mint price in money. Hence, when the foreign exchange rates fluctuate above or below the mint parity, there is implied a change, in the countries concerned, of the value of gold itself. For example, if the pound sterling is quoted in New York at a rate above par, then it follows that, since the dollar and the pound sterling have fixed gold values in their respective countries, gold as a commodity is worth more in London than it is in New York. in like manner, when the sterling exchange rate declines below par, gold is worth more in New York than it is in London.

Gold is like any other commodity. It tends to move to the market where its value is greatest. The only question is whether the difference in value between two markets is sufficient to cover transportation and handling costs. Hence the significance of the so-called "gold points." They are the points above and below mint par at which it pays bankers to ship gold. The location of these points is determined by all the costs involved in transporting gold from one country to another. Gold shipments so powerfully influence the exchange rates that it is usually stated that the gold points normally fix the limits of fluctuation of such rates. What is less obvious, but what is of main concern here, is that gold shipments in connection with foreign exchange operations bring about equilibrium throughout the world market of the value of gold itself.

Reactions on the Whole Business System

IN this procedure, with respect to gold under the gold standard, there are imbedded a number of highly important implications. One of these is to the effect that all gold-standard countries are vitally concerned with every influence that may in the future have a bearing on the position of gold. Another is that the equalization of gold values as between the different countries on a gold basis has important reactions upon money and credit conditions, on price levels, and through these on the conduct of the whole business system in each country concerned. A third is that influences affecting the position of gold in any one country will tend to spread themselves to all other gold-standard countries as well.

To no single country is the future of the gold standard of more importance than to the United States. We have in our possession about $4,500.000,000 in gold—roughly, half the world's visible supply. If the monetary position of gold were undermined, its value would decline and we should correspondingly be the losers. The abandonment of the gold standard has been seriously advocated in a number of different countries, and it is not at all beyond the range of possibility that, should the maintenance of the gold standard become too difficult, or should its normal maintenance be too often accompanied by such disturbances as afflicted Europe during our stock market boom last year, the countries of Europe would individually or by agreement go over to some form of managed currency. Such an eventuality would leave us in an unenviable position!

Foreign Gold Policies Acutely Concern Us

EVEN though this outcome were dismissed as highly improbable, if not as impossible, we are still vitally interested in the manner in which the world outside of us actually deals with the gold standard. The British were much disappointed with us preceding their own struggle to get back on a gold basis because we, they claimed, "sterilized" gold —that is to say, our Federal Reserve System refused to allow excessive gold reserves to be used as the basis of a new inflationary movement. This prevented what would normally have followed from an "unmanaged" gold reserve, and what the British hoped for, namely, easy money and high prices in the United States. Their reason for hoping for this was that such an outcome would have helped the pound sterling. In so far as we did in any sense "sterilize" gold, it meant that by keeping up the value of the dollar we also kept up the value of gold. Since the British were endeavoring to get the pound sterling back to a gold basis, a high value of gold made their task all the harder. In other words, our policy with respect to the gold standard acutely affected what England and what all other countries were trying to do with the gold standard. By the same token, what policies other countries may pursue in the future will acutely concern us.

Why Friendly Cooperation Is Profitable

THE Federal Reserve Act makes our Federal Reserve System the custodian of the nation's gold reserves. The system, therefore, has the responsibility of protecting those reserves not only from the point of view of purely domestic developments, but even more significantly from the point of view of all the world forces which combine at any given time to determine what the position of gold shall be. A willingness to understand the other fellow's position, even a disposition at times to extend a helping hand—in short, the maintenance of an attitude of friendly cooperation is the *sine qua non* of a successful gold standard in the future. Should the anticipation of some students be fulfilled, that we are now confronted with a secular trend toward increasing gold values, then nothing short of general cooperation in the economical handling of gold will save all gold standard countries from the depressing consequences of steadily declining price levels.

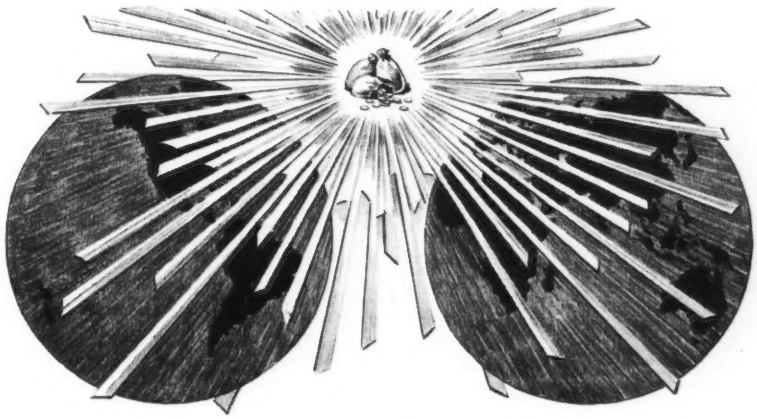
We may turn next to some of the other far-reaching factors involved in the field of the foreign exchanges.

The foreign exchange market supplies the channel through which the pecuniary operations growing out of all sorts of international business regularly flow. The foreign exchange rates are competitive prices, determined as are prices in other markets, by the relation between demand and supply. Demand for foreign exchange grows out of all those international transactions which require us at any given moment to send funds abroad. In other words, it is based on our immediate debits. Supply, on the other hand, grows out of the funds we have to collect or out of our credits. The changes in demand and in supply occasion changes in the rates, but, as discussed above, the range of fluctuation of the rates under the gold standard is normally limited by the gold points.

The scope of the American interest in the foreign exchange market is not only wide but it is also steadily expanding. The Department of Commerce publishes from time to time estimates of our international debits and credits. The 1929 Commerce Year Book provides a table giving the principal items during each year from 1922 to 1928, inclusive. During that period our exports rose from $4,021,000,000 to $5,334,000,000, and our imports from $3,432,000,000 to $4,497,000,000. Our marine freight bill advanced from $79,000,000 to $84,000,000, and our tourist expenditures from $445,000,000 to $782,000,000. Interest on American private funds invested abroad rose from $555,000,000 to $882,000,000, while at the same time the interest we had to pay on foreign funds loaned and invested here increased from $144,000,000 to $359,000,000. Our war debt receipts on account of principal grew from $32,000,000 to $50,000,000, and on account of interest from $126,000,000 to $160,000,000. Remittances of immigrants declined considerably during the period, but they amounted, nevertheless, in 1928 to $189,000,000. In 1922 we invested $823,000,000 in long-term investments abroad, and as much more in each succeeding year except 1923, when the amount was $258,000,000. On the other hand, the figures for 1928 were $1,339,000,000. Foreigners also invested heavily in American securities during this period, the annual increase in foreign holdings rising from $37,000,000 in 1922 to $481,000,000 in 1928. In connection with the exchange operations to which these transactions gave rise, we had on some occasions to export gold and on others to import it. We lost $234,000,000 in 1922, $295,000,000 in 1923, $216,000,000 in 1924, and $72,000,000 in 1926. We regained $102,000,000 in 1925, $154,000,000 in 1927, and $272,000,000 in 1928. With such figures before us we are not likely to minimize our stake in international finance.

The movements in the foreign exchange rates growing out of the ebb and flow of funds in the international market are of concern to us in a number of different ways. They are obviously of importance to those having funds either to remit or to collect. But they are of importance also to the whole business structure through the influence which they may exert on domestic credit conditions. High foreign exchange rates are indicative of a necessity or of a desire to send funds abroad. When the rates move high enough to reach the gold export points, gold is withdrawn and our basic reserves are depleted. Then, unless an adequate surplus-reserve has been accumulated, contraction of credit and enhancement of money rates become imperative.

A fact of great importance to the present discussion is that exchange rates in the international market are directly influenced by central banking policy. For purposes of illustration the sterling exchange rate in New York may be cited. That rate may be moved upward or downward by the discount policy of the Bank of England.



When the Bank of England raises its official rate of discount the investment value of funds in the English market is correspondingly enhanced and those having funds to lend will endeavor to take advantage of the fact. They accordingly appear in the market as purchasers of sterling exchange, demand for sterling thus increases, and the rate advances. So effective is this procedure that it has been possible for the Bank of England to pull up the sterling rate in foreign markets to the gold export point. During our panic of 1907 when the home demand for funds was so extraordinary that we dumped sterling on the market at any price it would bring, the sterling rate in New York dropped well below the import point, and gold was feverishly brought in from London. To protect its own position, the English bank raised its rate to 7 per cent. While this had little influence on New York, where call loan rates had soared almost to 200 per cent, it did so raise the value of sterling exchange in other markets that it was reported that gold was exported to London from twenty-four different countries and colonies. It was also reported that a deputy governor of the Bank of England told Senator Aldrich that an 8 per cent rate at the bank would draw gold out of the ground!

When Other Countries Could Ill Afford It

ON the other hand, high money rates in New York tend to depress foreign exchange quotations in our own market. During the famous bull-market that culminated last October the speculative appetite for funds was so voracious that the call-money rate went as high as 20 per cent. The result was that bankers and other individuals or firms all over the world poured money into New York, pushing down foreign exchange rates to levels below the gold import points. We drew gold from other countries when they could ill spare it. We forced them in consequence to advance their money rates and to contract credit much to the embarrassment of their business men.

Another important field of central banking policy having a bearing on the foreign exchange market is that of the open market operations. Central banks will engage in such operations not only to influence the domestic credit situation but also to affect the foreign exchanges. They may ease money at home by buying bills and securities. They may tighten money rates by selling these investments. This change in money conditions inevitably affects the foreign exchanges but the central banks may affect the exchange rates even more directly by buying or selling foreign bills themselves. Some of the central banks regularly maintain a foreign-bill portfolio drawing on the same whenever they consider it advisable to add to the supply of foreign exchange in the market and thus help to keep down the rate.

Central Banks May Influence Gold Points

AGAIN, it must be noted that central banks are often able to bring influences to bear that affect the gold points themselves. These points are determined by the combined charges involved in obtaining and in shipping gold. The banks cannot control shipping charges or insurance premiums. But they can influence money rates in-so-far as loss of interest on gold while it is in transit must be included as an expense of handling, and they may also be able to do other things. Before the war, for example, the Bank of France, which could legally redeem its notes in silver

(*Continued on page* 907)

The Outlook for Bank Earnings

By JOSEPH STAGG LAWRENCE

High Interest Rates Do Not Mean Greater Banking Profits. Most Prosperous Times for Bankers Have Been the Years When Moderate Rate Levels Were in Vogue. Drooping Rates May Mean Stagnation and High Rates Merely Tight Credit.

MANY naive souls, denied access to that intimate inner chamber known as the banker's mind, picture the administrator of the community strong boxes as a refractory conservative, a visionless reactionary without the gift of imagination and devoid of that intent interest in the future which animates his more colorful brethren. Solidity, strength, caution, and a disinclination to post his funds upon the immeasurable hazards of the future mark out a very common picture of a banker.

Does it ever occur to that convenient character "the man in the street" that the banker is the most active risk taker in the community? As a dabbler in the clairvoyant art of looking into the future, the banker is the undisputed local champion, popular prepossessions of static mental incrustations to the contrary notwithstanding.

Faces Uncharted Future

EVERY commitment which the banker makes is freighted with the hazard which the sequence of unknown future events places upon it. When he lends a thousand dollars to Jones, it is a matter of vital importance to him that he appraise correctly the prospects of the venture in which his client proposes to place his credit. He is interested in the past of Jones and the past of the business in which Jones operates only in so far as it enables him to secure a more accurate portrait of the future. When he invests in securities, it is the future of these vehicles of credit which concerns him. What of tomorrow? That is the question ineradicably emblazoned in the banker's consciousness.

When we propose to examine the course of interest rates in the future and their anticipated effect on bank profits, we place our fingers upon a subject which occupies many of the waking hours of the banking fraternity.

Aftermath of Market Crash

THE outstanding fact in the interest situation is the late and lamented collapse of the security market. It has been followed by a worldwide relaxation in money rates. In spite of the ostensible relation of these two facts as cause and effect, such a conclusion would be hasty. Speculative activity always exerts a direct force upon money rates. The prospect of discovering a mundane pot of gold lures substantial funds into the market from the conservative folds of the nation's savings accounts. As the latter are ordinarily used by the banks in purchases of non-speculative securities and commercial paper, such a withdrawal restricts the supply of funds.



Paradox

A QUICK guess would be that when rates are high and bankers are able to charge more for the goods they are selling, their net profits should grow accordingly. This writer goes back almost forty years to prove that top-heavy rates are more than likely signs of fever and not health. Rates probably will continue easier, he believes, but finds little ground for assuming that this will mean a period of smaller bank profits. In fact it may mean the exact opposite.

Since the passage of the Federal Reserve Act, we have another force bearing upon money rates. It acts whenever the public seems determined to commit those speculative indiscretions which the central authorities believe will jeopardize innocent parties. By forcing the banks to rediscount directly with the reserve banks and raising the rates on all forms of central bank credit an artificial stringency can be created for the purpose of effectuating central bank policy. Whatever our views may be as to the necessity for controlling such a stock boom as that of 1928-1929, the fact remains that it did not cause an undue expansion in the total bank credit of the country. The composition of that credit changed with a greater proportionate allocation to securities, but the total showed no signs of alarming increase.

Nor did the persistence of an unchastened stock market impinge upon our gold supplies. On the contrary, in its later phases, it brought substantial quantities of bullion to these shores. This impaired the effectiveness of restrictive credit policies in this country while, at the same time, it caused other central banks some embarrassment.

A word of caution is necessary as to the stock market. There are signs of revival. Prices have made some recovery. The number of shares traded in the first week of February, 1930, were only 12 per cent below the number traded in in the corresponding period of 1929. Customers' rooms of brokerage houses are again emitting to the thrum of life. The speculative instincts of the American people are deep seated and possessed of tremendous vitality.

The Future of Money Rates

POINTING, rather faintly it is true, in the direction of easier money is the recent course of commodity prices. It has long been a revered tenet of academic monetary theory that declining prices are a cause of declining interest rates. This is based upon the principle that in an era of declining prices, the dollar which pays the debt in the future will be more valuable than the dollar in which the debt is created. The lender, appreciating the increase in the value of his claim in terms of goods, is content to accept a lower interest rate. Without examining the merit of this proposition, we wish to indicate that it tends to support the view that money rates are due to become easier.

The most substantial long-time factor in the rate situation, however, is the pace of capital accumulation in this country. So completely have we mastered the cornucopia of production that each year finds the American people with a greater margin between income and expenditure. The difference is available for investment.

Bank Earnings During Three Periods

HIGH RATES
Above 8.25 per cent—10 years

Year	Per Cent, Net Profits to Capital and Surplus	Commercial Paper Rate
1883	8.60	5.68
1884	8.60	5.48
1885	6.90	5.30
1888	8.80	5.74
1891	8.90	5.78
1894	5.60	6.51
1897	5.40	5.28
1908	9.10	6.31
1914	8.39	5.50
1929	9.72	5.62
Average	8.00	5.72

MODERATE RATES
Between 4.10-5.25 per cent—21 years

Year	Per Cent, Net Profits to Capital and Surplus	Commercial Paper Rate
1881	8.40	5.25
1882	9.50	5.15
1887	8.50	5.00
1889	8.70	4.77
1890	8.60	4.99
1892	7.80	4.99
1893	7.40	4.29
1900	8.20	4.39
1901	10.00	4.26
1902	10.50	4.35
1903	10.10	5.03
1906	9.50	4.57
1911	9.35	4.92
1913	9.06	4.90
1915	7.08	4.68
1922	7.79	5.12
1923	8.48	4.61
1924	8.11	4.80
1926	9.54	4.22
1927	9.24	4.19
1928	8.96	4.11
Average	8.80	4.69

Year Ends March 1 up to 1916.
Year Ends June 30, 1922-1929.

LOW RATES
Below 4.10 per cent—11 years

Year	Per Cent, Net Profits to Capital and Surplus	Commercial Paper Rate
1886	7.30	3.90
1895	5.00	3.05
1896	5.40	4.08
1898	5.20	3.54
1899	5.80	3.79
1905	9.00	4.07
1909	8.72	4.04
1910	9.67	4.13
1912	8.59	4.00
1916	8.76	3.45
1925	9.00	3.57
Average	7.49	3.78

Nothing demonstrates this particular progress so eloquently as the ease with which heavy bond issues were floated immediately after the greatest stock crash in our history.

In summing up the prospects, we may say that all the known portents indicate moderate if not easy rates. The three unknown quantities in the situation are the future course of speculation, the rapidity of business recovery and the attitude of the Federal Reserve Board.

Assuming, then, that we are about to enter a period of moderate money rates, what effect will this have upon bank earnings? Here we will lean back upon the past and ask another question: How have high, moderate and low rates affected bank earnings in the past?

In order to determine the relation of money rates to bank earnings, we have established three arbitrary classifications. A year showing average commercial paper rates of less than 4.10 per cent is considered a low year. Since 1880, we have had ten years in this group. Rates falling between 4.10 per cent and 5.25 per cent are considered moderate rates. Twenty-one of our years since 1880 are within this group. All the years showing rates above 5.25 per cent fall in the upper group. Omitting 1904, 1907, 1917, 1918, 1919, 1920, and 1921, as abnormal years, we find ten years in this group.

In testing for the correlation of rates and profits, we have taken the monthly averages of commercial paper rates as presented in the Axe-Houghton index and the ratio of net profits to capital and surplus of national banks as presented in the annual reports of the comptroller. The evidence is furnished in the table at the top of this page.

The Years of Best Profits

IT will be seen that the years of greatest bank profits come when money rates are moderate, that the years of high rates rank next in the order of profits and that the low rates come last. Parenthetically, it may be noted that eight of the ten years in the high rate group fall in an era of stationary or declining commodity price levels and that seven of the eleven years in the low rate group fall in an era of rising commodity price levels. This hardly supports the aforementioned theory of the relation between changing price levels and interest rates.

Bank income consists preponderantly of interest payments either on loans or investments. The failure of high rates to correspond with maximum bank income is somewhat anomalous. Before deducing any formal rule from the evidence, it will be necessary to examine the causes and concomitant conditions of high and low rates.

The very infrequency with which high rates occur suggests that they may be symptomatic of conditions which restrict bank earnings. While on the positive side bank income may be the result of the rate paid for accommodation multiplied by the base, that is, volume of loans and investments on which it is paid, that result is merely the starting point of the final and most significant balance, namely, net profits. If the abnormal conditions which cause high rates are such as to increase the deductions which must be made from gross earnings either through losses and greater expenses or if the base itself is decreased through caution, then it becomes quite reasonable to regard high rates not as the pink bloom of exuberant health, but rather as the high color of fever.

High Rates and Low Credit

IF we examine the years during which high rates prevailed, we find that many of them have received an unflattering emphasis in banking and investment history. From them may be drawn concrete illustrations of the abstract factors which cause high rates. When the business horizon is uncertain and pessimism reigns, banks are reluctant to confide their funds to the doubtful assurance of the future.

Reserves are reinforced, risks are scanned more carefully, commitments are reduced. The higher rates are, therefore, a reflection of reduced credit supplies as well as greater risk. The years 1891, 1894, 1897 and 1908 illustrate these points.

On the other hand, the high rates prevailing in the early eighties and in 1929 are probably the result of rapid growth and a high state of industrial activity, periods which the economists of the business cycle school have designated as the boom period of the cycle. Apparently, such periods permit high rates as well as high earnings as is evident from the table of earnings for the years mentioned above. The tide of optimism which imparts a rosy tinted hue to all projects at such a time rarely possesses that introspective perception or scientific restraint necessary to check a forward movement before it proceeds too far.

There is usually a reaction and the dull nauseous hours of the morning after. Thus, 1885 and 1886 coming after the two boom years 1882 and 1883 show subnormal earnings. Severe reactions are the explanation of the low bank earnings of the nineties and it is a singular fact that this decade of subnormal bank profits has seven years wherein rates are either below or above the moderate range.

Other Causes of High Rates

OTHER causes of high rates which apparently have no deleterious effect upon earnings are speculative attractions, rapid price changes and Federal reserve policy. The returns for 1908 and 1929 reflect the better returns for bank funds which stock market activity assures.

While the period of price inflation lasted during and after the war, our banks showed extraordinary returns. That the fruit was unsound is indicated by the alarming mortality of our banks during the past nine years.

In its effect on bank earnings, Federal reserve policy has been a two-edged sword. The higher rates enforced to check speculation did not help the bond

(*Continued on page* 890)

Raiders of the Bank Account

By W. R. MOREHOUSE
Vice-President, Security-First National Bank, Los Angeles

Banks Are Fast Becoming Reservoirs Accumulating Money for Investment. Ill-Advised Propaganda of Swindling Schemers Ceaselessly Attacks Interest Rate on Savings. Bankers Must Come to Defense of Depositors or See Their Deposits Shrink.

THE one argument in particular which professional schemers are using more than any other in their efforts to separate bank depositors from their cash, is the rate paid on savings accounts as compared with the rate paid on other investments.

As everyone who has studied the subject knows, before a promoter can make a sale he must first make his prospective investor dissatisfied with the treatment accorded him by his bank. This he does by claiming that the bank is making big profits off the depositors' money, while paying him as little interest as it can and still keep him satisfied.

To the Last Drop

NATURALLY, the first wedge which the high-pressure promoter of unsound investments drives in between a bank and its customer is intended to bring about dissatisfaction between the two, and prepare the depositor to sever his relations with his bank at the suggestion of the solicitor.

The next step is likewise directed at the bank, and it is expected to finish the job. The prospective investor is then shown by comparisons the various rates of income derived by other investors from different sources, each comparison being matched up against the lower rate paid on savings accounts, as might be expected, each showing a much higher interest return.

At this point, a determined effort is made on the part of the solicitor to close the sale. Nothing has been done, and nothing will be done if it can be avoided, by way of comparing the higher income investments recommended, on the basis of safety of principal, salability of securities and the permanancy of investment; the rate of income, and the rate alone, being the only basis of comparison.

Naturally, with no one present to defend the bank's position in such cases, the promoter is enabled to paint before the depositor a picture of a great bank squeezing the saver to the last drop by paying him as little interest as the saver will stand without revolting.

It is under these conditions that the promoter is able to make out a good case for himself, and place the bank at a great disadvantage. In this particular he reminds me of a certain statistician who recently told me that he could produce comparative figures favorable to the growth and prosperity of any city in the United States, whether the city showed much of a growth, or was prosperous, or had experienced hard times. I asked him how he could do this for a city that had hardly any growth and one in which there is no evidence of prosperity.

"Oh, that's easy," he explained. "I just hunt up cities in or near the same population or class that have lost in population and where there is no general prosperity, and I make my comparison with them. I steer clear of all cities that have made a better showing."

So it is with the shrewd promoter of doubtful securities, who makes his comparisons between the interest rate paid by banks and paid by others. He makes out a good case for himself.

No one ever heard of a promoter trying to persuade bank depositors that they should invest their deposits with him solely on the basis of safety, permanency or regularity of income. He knows he could not succeed if he enumerates all of the principal factors in an investment, and is fair in his comparisons.

In the thirty years that I have been in the banking business only one point by way of comparison has ever been emphasized, and that point is the difference in the rate of income. If other bankers have had the same experience, then our bankers must agree that our big job is to justify the rate of interest we pay on savings in comparison with other investments.

It is the continuous repetition of these comparisons that has made the bank rate look smaller than it actually is and all other rates look much larger. It is the accumulated effect of ridiculing the bank rate that has been responsible for the withdrawals of millions upon millions of dollars out of banks for investment elsewhere. And furthermore, not in my banking experience do I recall of a single case where a depositor has transferred his money out of a good bank and into investments that earn no more than the bank's interest, unless, of course, into government bonds. There are exceptions no doubt but they are few in number.

The Most Fertile Field

IN view of the fact that bank depositors with money saved up in banks are the most fertile field in which promoters operate, it seems to me, that it is time that our bankers began a campaign of education on investments, disclosing to their depositors the truth, that safety of principal is more important to them than a high yield. As one banker states it:

"Our banks are fast becoming reservoirs for accumulating money for investment elsewhere, and far too often our banks are feeders for unworthy investments of one kind or another."

I sometimes wonder if our bankers fully realize that once an old depositor of years' acquaintance is led astray by glittering promises of higher rates of income and loses his savings, he will never be as

Counter-Attack

IN this, the second of a series of two articles, it is bluntly asserted that the bank deposits of the country are the object of an endless campaign for the diversion of funds into wild-cat investments. Measures to counter-attack the growing evil are outlined, but to make them effective it is insisted that bankers must abandon one of their oldest and most generally followed policies, which is their disinclination to give advice as to the purchase of securities.



"Such lovely people couldn't harm an old woman like me"

friendly and loyal to the bank as he once was, even though he returns and reopens his account. I have found by talking to hundreds of depositors that there is a feeling among them that their bank ought to advise with them when the time comes that they feel they should make a few investments. Consequently, if they are denied this service and invest without their banker's advice and lose, they still feel that their bank should have helped them to avoid the pitfalls into which they have fallen. Believe it or not, the average depositor expects this service of his bank, and does not understand why it is denied him.

Diversified Speculation

AFTER studying the various schemes designed to catch the unthinking depositor, I am thoroughly convinced that the remedy is one of education. Expose fraud and it shrivels up and dies immediately.

What has become of the big oil promotions of a few years ago that engulfed millions of savers? What has become of the big mining promotions, and the big real estate booms?

Through various agencies these promotions were adequately exposed, with the result that millions of people now recognize the great risks they took when investing in them and have decided to stay out, which proves that when the people decide to quit playing the sucker and keep their money in the banks, the tremendous economic losses which they would otherwise suffer are avoided. However, this does not mean that the people are not big speculators, for they are. They have simply deserted to a large degree oil, mines and real estate, for other speculations, such as airplane promotions, of which there are many. Figuratively speaking, we now have a highly diversified speculation. Like oils, mines and real estate, it needs to be exposed, and it too will disappear to a large degree.

"Such Lovely People"

RECENTLY the daughter of a depositor came to see me seeking my help in persuading her mother, who is ninety-one years old, to keep her savings in the bank and not invest it in a new airplane venture. This old lady had but $3,100, and her only income was interest which the bank paid her on this deposit.

She knew nothing whatever about the airplane stock into which she was about to invest her last dollar. In fact, she had only recently become slightly acquainted with the two high-pressure solicitors who were about to acquire her life-savings. The daughter brought her mother in to see me. The first question I asked her was as to what she knew about the investment, and she admitted that all she knew about it was that it was a good investment.

"As you know so little about it, why do you say it's a good investment?" I asked. To this question I got the answer which I fully expected.

"Oh, they are such lovely people they couldn't harm an old woman like me," was her answer, and this was her only reason for entertaining the investment.

These "lovely people," two solicitors, a man and a woman working as partners, had been out to the old mother's home on several occasions. The woman solicitor had won the old lady's confidence by taking her by the hands and by patting them soothingly and by stroking the old lady's forehead caressingly, all the while whispering in the old lady's ear that she ought to get more income out of her savings in order that she might enjoy more of the comforts of life.

Accounts Will Grow Again

IF my seven years on a Better Business Bureau has demonstrated to me one thing more than another it is that profes-

sional men and women are our heaviest losers as the result of making bad investments. Consequently, if there is any one class of men and women who stand in the greatest need of enlightenment on investments it is this class. If a bank will emphasize and re-emphasize to them the need of information of the right sort and the value of constant vigilance in making investments, its accounts will begin to grow again. Educate this class in the making of investments and the battle before us will be four-fifths won.

Over and over again cases have come up where some doctor, dentist, teacher, musician or lawyer had been "taken for a ride" by some high-pressure promoter and stripped of his savings.

I am calling particular attention to professional men and women for several reasons. First, as a class their incomes average much better than all other classes of depositors excepting the rich, and secondly, of all classes they are the easiest to swindle.

Ordinarily, professional men and women should keep the highest average balances in the bank and doubtless they would if they were capable of judging good investment values instead of picking the "lemons."

There Can Be No Guessing

WHAT more fertile field for a bank to work in than among the professional people in its community? Fighting frauds wherever found is as important as fighting fire. Facts are the only fraud extinguisher.

But investment facts must be properly presented. They must be uniform throughout the bank. In giving advice a bank must stick to the facts to the letter. There can be no guessing in the absence of reliable information. If the facts are not known the inquirer should be so informed. Only those who are familiar with investments should be assigned to the task of rendering this service.

If convinced that an investment is not all that the inquirer believes it to be, it should be the banker's duty to enlighten him. To illustrate: as is often the case, many inexperienced investors are ignorant of a stockholder's liability when buying shares of stock. Either this point was intentionally kept from them by the person selling the stock, or, as is too often the case, they were advised that there was no stockholder's liability.

A Typical Reaction

A SCHOOL teacher recently told me this story about some stock which she was about to purchase. She said that a solicitor had assured her that there would be no stockholder's liability in her case, as seventy-three men had agreed to assume this obligation for all of the stockholders. In other words, according to the assurances of this high-pressure salesman, seventy-three men had invalidated the law of the state, an impossible thing for them to do as everyone knows. As was to be expected, as soon as I explained to this school teacher that she had been misinformed, and that if she bought the stock she would assume a stockholder's liability, as there is no provision in the law to evade it, she remarked disgustedly:

"Doesn't it beat you, what these fellows will stoop to in order to get your money?"

The reaction which came from this school teacher is typical of the reaction which banks will get from their depositors should they decide to give investment advice. That teacher has never been back for investment advice, nor has she drawn one cent out of her savings account. One experience has convinced her that she had better leave her savings in a bank account.

Rendering a Great Favor

I SOMETIMES wonder just what percentage of bankers have realized that in those cases where inquiries have been made of them by their customers regarding investments, about which they knew practically nothing and were unable to get satisfactory information, their statement to that effect has doubtless caused many customers to withhold investing. As one man expressed it, when I was unable to advise him:

"Well, if you don't know anything about it I had better leave it alone."

So no advice where a security is unknown, and about which satisfactory information is not obtainable, is the best advice a bank can give to its customers, which leads to the conclusion that, after all, if a bank has not the facts about all investments inquired about, and cannot get the necessary information, it is rendering its customers a great favor in telling them so.

Waive Aside Safety

NEXT in importance to the giving of proper advice, qualified when deemed necessary, is actually supplying customers with good securities. In the final analysis, what greater service can it bestow on its customers who insist on a higher rate of interest, than to sell them good investments, for once their funds are safely invested the chances of loss through unwise investment are removed.

As is generally recognized, the numbers of bank depositors who are going into the investment field are increasing. This year will probably see another 500,000 savers close their bank accounts and make new affiliations, that is, if nothing is done by the banks to head off the migration. The recent stock crash has dampened their enthusiasm temporarily, but it has not cured them of their newly acquired habit of trying to invest their savings in order to get a higher yield. Just as long as thousands of individuals, firms and corporations continue vigorously to belittle the lower rates of interest paid by banks on savings and to play up the higher rates of other investments there will be depositors who cannot resist the appeal of higher incomes, and who will waive aside safety and a moderate income and take a chance of less safety and a higher income.

Never before in the history of banking in America has such a large percentage of bank customers become interested in making investments, except, of course, in Liberty Bonds during the war. Never before have the handbags of so many women customers contained so many circulars describing various kinds of securities. No longer is it uncommon for a woman customer, while discussing investments with her banker, to spread out before him a number of circulars of different investments offered her.

Reached Into Her Handbag

WHEN the other day I reacted unfavorably to an investment about which a certain woman had requested my opinion, she reached into her handbag and pulled out circulars describing an entirely different investment, and as she did so she remarked:

"Well, what's your opinion regarding this stock?"

A minute later she reached into her handbag again, and out came a third circular, showing that she was interested in several types of investments.

What is true of many women customers is likewise true of many men customers, especially of professional men. If you could examine the contents of their bulging inside coat pockets, I am sure that you would find there circulars describing a number of investments that bear a higher rate of income than are paid on bank deposits.

Machinations of Schemers

THE very presence of so much investment literature in the hands of bank depositors is evidence that propagandists have been doing a good job. If it is not alarming to our bankers it ought to be, to find that gradually over a period of fifteen years advertisements of every nature recommending a higher rate of interest than banks are able to pay have crowded bank advertising into the background as to volume used.

I am convinced that the general attack that is being made against the rate of interest banks are able to pay has not reached its peak. I thoroughly believe that these campaigns on bank accounts will gather volume as they proceed, and

(*Continued on page* 888)

New Record in Trust Service

By FRANCIS H. SISSON
Vice-President, Guaranty Trust Company, New York

Year 1929 Broke All Records in Swift Spread of Trust Idea. Nation-wide Survey by Trust Company Division Discloses an Increase of Tenfold in Testamentary Appointments During Last Seven Years. National Bank Trust Departments Thrive.

MANY events of major importance crowded themselves into the span of the year 1929. Not the least of these, by far, was the impressive record achieved by institutions of this country in the field of trust service.

The record of the banks and trust companies in this field during the past year, and it was a record year, is one of which they may well be proud. It was a year of remarkable accomplishments. It was a year of sustained growth in volume of business and of highly encouraging expansion in the number of individuals who are adopting the trust idea for the settlement of estates.

The Trust Company Division of the American Bankers Association has just completed its nation-wide survey of the number of times banks and trust companies were appointed executor or trustee under wills during 1929. Returns from every section of the country make possible the compilation of accurate figures which reveal the impressive increase in trust business during the past year.

Rising Demand for Trust Services

WHEN these questionnaires were totaled it was found that banks and trust companies had been appointed executor or trustee under wills 60,036 times during 1929. The rapidity with which the trust idea is spreading becomes strikingly evident when these figures are compared with the two previous years. In two years' time the number has more than doubled—for in 1927 the total was 29,814. The increase for one year is 35 per cent—for the 1928 total was 44,375.

Nor has this growth been in numbers of trusts alone. There is unmistakable evidence that the demand for trust service has been keeping pace, step by step, with the growing prosperity of the nation. During 1929 there were 1086 estates of over $1,000,000 for which banks and trust companies were named executor or trustee, as compared with 622 in 1928. This was an increase for 1929 of 464 in the number of $1,000,000 estates intrusted to corporate fiduciaries.

To put it another way, in a single year banks and trust companies were named executor or trustee for an aggregate of well over $1,000,000,000 of estates, each of $1,000,000 or better, and the increase in 1929 in the value of estates created in this class was approaching $500,000,000.

Service Gathers Momentum

THE figures indicate, furthermore, that once engaged in providing trust services, banks and trust companies can expect a recurring volume of business of almost unbelievable magnitude as the reward of enterprise and as the measure of public confidence.

In 1929 there were 150 institutions that received 100 or more appointments each as compared with 112 in 1928.

There were eighty-seven appointed more than 100 times in 1929 against seventy-five in 1928.

There were twenty-three named more than 200 times in 1929 against eleven in 1928.

There were thirteen named more than 300 times in 1929 against nine in 1928.

There were twenty-three named more than 400 times in 1929 against eleven in 1928.

And there were four named more than 1000 times in 1929 against six in 1928.

Impressive as are the figures reported for 1929, it must be remembered that they represent but a part of the total trust business intrusted to the corporate fiduciaries of the country during the year. Statistics were obtained from less than half of the trust companies and banks that have trust departments. Also there are many appointments of which the institutions named are not yet aware. What the complete totals for 1929 would show challenges the imagination.

The figures actually compiled nevertheless are tangible evidence of the magnitude of the trust business in this country. They are cold, hard facts and yet they understate the case.

Seven Years of Growth

OF even greater significance than the actual increases, however, is the rapid rate of growth in the number of testamentary appointments reported by banks and trust companies. With the reports for the past year compiled, it is possible to look back over a period of seven years. In this short period the total appointments reported have grown annually from less than 6000 in 1923 to more than 60,000 for the twelve months of 1929.

Appointments reported for each of the seven years were as follows:

1923	5,899
1924	7,878
1925	12,926
1926	19,128
1927	29,814
1928	44,375
1929	60,036

The remarkable rate of growth for trust service throughout the country, which is indicated by the Trust Company Division surveys, is significantly reflected in the official statistics of the Comptroller of the Currency covering the trust operations of national banks. His latest annual report contains a comparison for the three-year period from June, 1926, to June, 1929, that is illuminating.

At the end of June, 1929, there were 1734 national banks actively operating trust departments, an increase of 630, or 57 per cent, in three years.

The number of personal trusts being administered by national banks in 1929 was 75,988, an increase of 49,935, or 191 per cent, since 1926, and the assets of these trusts in 1929 amounted to more than $4,000,000,000. The increase in trust assets being administered by national banks for the three-year period was in excess of $3,000,000,000, or nearly 360 per cent.

Survey Entire Country

THE first national survey to determine how rapidly the trust method for the disposition of estates was spreading throughout the United States was inaugurated by the Trust Company Division in 1927 and it covered the five-year period from 1923. The inquiry was continued last year and the figures compiled this year represent the results of the third annual survey by the Trust Company Division.

The short questionnaire sent out by the division to all trust companies and banks doing a trust business asks them

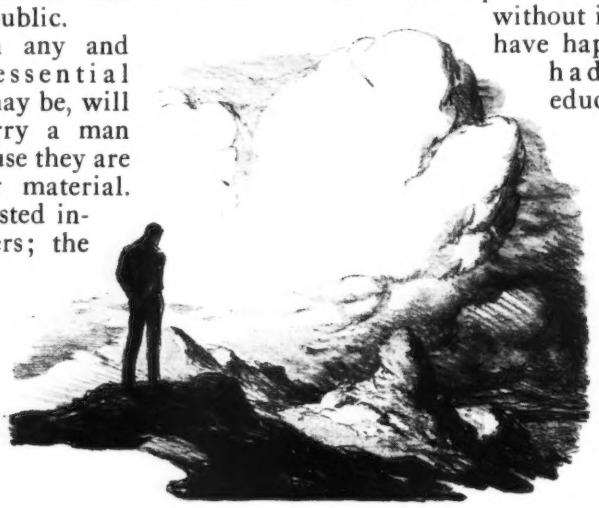
(*Continued on page* 889)

The Small Change of Life

HOW far can any man get alone?

The junior clerk needs the good will of the head of his department and the good will of his associates. The junior officer needs the good will of the senior officer. All officers need the good will of the president and the latter needs the good will and the confidence of the public.

Abilities in any and every line, essential though they may be, will not alone carry a man very far, because they are only the raw material. From the enlisted interest of others; the intercession of friends comes the force that carries abilities to a good market, and friends usually are made by the small inconspicuous acts of everyday life.



There are thousands of men and women in every community who have plenty of ability of various kinds but no ability to perceive the many-sided value of little courtesies, the big value of the atmosphere of genuine good will, and friendliness.

Some of these people having acquired superior educations, or developed superior abilities, yet see themselves outstripped for place or success by persons apparently lacking in these same qualities.

The explanation is found in the remark of a supposedly "uneducated" man who had achieved marked success in a variety of business enterprises and prominence in politics. Referring to his achievements an acquaintance once said to him:

"What a pity that you did not have a university education. You have accomplished such wonders without it, what might have happened if you had gained an education!"

"Aw," he replied with brutal frankness, "I can hire all of that I want at $15 a week!"

"Morals and manners which give color to life are of greater importance than laws, which are but one of their manifestations," said Smiles. "The law touches us here and there but manners are about us everywhere pervading society like the air we breathe."

Few men can get very far alone without "those little courtesies which form the small change of life."

The confidence and the good will of the crowd is a great help in bringing abilities to a good market—

But that confidence and good will must be paid for in coins that cannot be counterfeited.

James E. Clark

Operation of the Uniform Trust

By JAMES H. PERKINS
President City Bank Farmers Trust Company, New York

Funds of Trusts of This Form Are By Authority Mingled With Others for Purposes of Investment. A Unit Method for Establishing the Value of Each Trust at Any Specified Time. How the Investment is Managed by the Bank's Senior Officers.

THE growth of the trust business in the country has been so rapid that those responsible for its management have been busily devising improved methods of operation. One of the most difficult of the problems has been the proper review of the investments in the trusts. It is a simple matter to review 100 trusts constantly; but when the numbers run into the thousands it is impossible for the senior men in the institutions to keep the investments of all these trusts in their minds, or to review them frequently. This situation has brought about in various forms an effort to consolidate the investments of the trusts so that they may receive the daily study of the best minds in the various companies. There have been devised plans which differ somewhat in detail, but which contain the same basic idea.

In our own case we created what we called the "Uniform Trusts," which, in essence, are voluntary revocable trusts which contain a clause authorizing the trust company as trustee to mingle the funds of trusts made in this form for the purposes of investment. We have spent two years in working out the present plan and feel that it is satisfactory and working well. It works as follows:

The Unit Method

ON the first Wednesday of each month the trust company will take trusts of this character and place their money in a mingled fund. In order that each participating trust in the fund shall have its proper proportion, the fund is divided into units of an original value of one dollar. The trust is valued as of the first Wednesday of each month, and each trust that participates is allotted on our books its proportion of that fund in units. In other words, let us assume that a man puts in $10,000 the first Wednesday of January, and by the first Wednesday of March the trust has increased in value. The man who puts in $10,000 in March would be credited with a smaller number of units than the man who puts in his money on the first Wednesday of January. The result of this is that everybody comes into the fund at par, but every opening day the value of the fund changes either for better or worse, and those coming in have exactly the same financial relation to the fund as the then value of those who have previously established trusts. The unit method is simply an accounting device used to establish the value of each trust in the mingled fund at any specific time.

Investment Management

THE investment management is carried out in this manner: Every morning the senior officers have on their desks a copy of the trust with the investments at cost and at market, with a statement showing the proportion of the various classes of investment: as, for instance, x per cent in domestic bonds, x per cent in foreign bonds, x per cent in preferred stocks, industrial common stocks, rail common stocks, or public utility stocks. Every Wednesday a committee of the directors goes over this same report, discusses the policy to be pursued, and each individual holding in the fund. The diversification is attended with care, not only in relation to the kind of security, but in relation to the industry under consideration. In this way, the maker of the trust receives large diversification and the most careful scrutiny of his investments. There are no limits placed on the trustee, who may invest as he deems best; but, as a matter of practice, the policies are those that would naturally and automatically cover the investments of a trust of this character.

The trust provides that the income paid to the beneficiary may be at such rate as the trustee determines. It is the belief of the organization that the current return will at least equal that of any well chosen, diversified fund. Whatever earnings are made in excess of those paid out to the beneficiary are added to the fund and increase the value of the units which the maker of the trust holds. As and if the value of the units increases, the maker of the trust gets paid on the value of his holdings at the time payment is made. As an example, if a man puts in $10,000 into the fund and the value of his trust increases to $12,000, and the rate paid should be 5 per cent, he would receive 5 per cent on $12,000 when the fund was worth that figure, or in that particular case 6 per cent on his original investment.

In Joint Tenancy Form

TRUSTS may be established for the benefit of an individual, in a joint tenancy form, and for a corporation. The trust created for the benefit of an individual continues during the life of the beneficiary unless sooner terminated by the beneficiary or trustee. Following the death of the beneficiary the trustee will, within thirty days, after the presentation of a surrogate's certificate evidencing the appointment of an executor or administrator, together with the declaration of trust and such waivers from the governmental tax authorities as may be required, pay over to the executor or administrator the net worth of the trust.

Trusts may be established in joint tenancy form so that they need not necessarily terminate upon the death of one of the beneficiaries. When trusts are established in joint tenancy arrangements can be made to have the income paid to either or both of the joint beneficiaries during their lives, and upon the death of one the trust will continue for the benefit of the survivor unless, of course, it is sooner terminated by revocation. A trust to be established in joint tenancy form should read, for example "John A. Doe and Mary B. Doe and the survivor of them as joint tenants." Upon the death of one of the joint tenants the trust will be subject to inheritance tax in the same manner that jointly owned property is taxable in the particular state of which the decedent was a resident.

When a uniform trust is established in joint tenancy form either of the joint beneficiaries may exercise all rights or powers with relation to the trust.

When Revocable

THE trust may be revoked on the first Wednesday in any month, and not later than thirty days after the trustee has received notice of the desire to revoke the trust it shall pay over to the

(*Continued on page* 893)

Handling 759 Receiverships

By COL. D. W. MACCORMACK
Head of Receivership Department, Irving Trust Company, New York

Advantages of Centralized and Specialized Services as Developed in a Year of Operation by a Trust Company Instead of the Old and Unsatisfactory Method of Individuals. Organization Necessary to Carry on this Work. Some Cases of Unexpected Profits.

THE appointment of the Irving Trust Company as receiver in bankruptcy in all cases in the southern district of New York was due to a long standing dissatisfaction with the uneconomical and improvident system of individual receivers.

The Irving Trust Company, at the request of the district court judges, agreed to accept appointments as receiver in bankruptcy cases. On January 16, 1929, the first appointments were made. In the year that has elapsed, 759 assignments of receivership and other bankruptcy and liquidation cases have been made.

In 75.2 per cent or 356 out of 474 receivership cases in which elections have been made, the creditors have elected Irving Trust Company trustee.

Under the system of individual receivers and trustees there had been no possibility of building up a trained and competent organization for the administration of estates in bankruptcy. Hundreds of individual receivers had been appointed, only a few of them being given any considerable number of cases. Those who were appointed with any degree of frequency rarely had had a sufficient number of cases at any one time to enable the development of an effective plan of operation or to warrant the establishment of a permanent staff of specialists to handle the various details incident to the administration.

A Haphazard System

THE attorneys employed as counsel for the receiver were almost invariably the attorneys who had chanced to file the petition. If the receiver did not employ them, it ordinarily meant that he would be voted out as trustee as these attorneys usually were able to control the trustee elections. The custodians employed were men who were available for casual per diem engagements.

The rates paid them were so low that, to enable them to make a living wage, in many instances, they served in several estates at the same time, taking a day's pay from each. The rules of the court prohibited reimbursement for stenographic services in other than extraordinary cases and the court was likewise reluctant to allow the expense of a public accountant. There was therefore a constant incentive to keep the business in operation in order to provide for such expenses and to give to the receiver and consequently to his attorney the possibility of double compensation.

The trust company felt that it could not rely upon the services of an administrative personnel employed on the former per diem basis and consequently arranged that the custodial, clerical and stenographic employees engaged should be regularly and permanently employed, bonded and subject to the strict examination which is imposed upon applicants for employment in any other department of the institution.

Company Retains Attorneys

IN most cases, owing to the technicalities of bankruptcy law, and to the legal complications commonly existing in the affairs of the bankrupts, attorneys' services are not only required but are beneficial to the estates and the trust company has retained them in the majority of cases. In more than half of our cases we have retained the attorneys for the petitioning creditors.

In every instance before retaining attorneys we have made such inquiries as were possible to determine their qualifications for the work. We have endeavored, so far as is possible, to avoid even the appearance of monopolizing the business to favored attorneys and have retained 157 different attorneys or firms. To obtain proper administration of the no-asset and small-asset cases, we have assigned a majority of such cases to a few firms of young attorneys in the hope that by giving them a sufficient volume of business they might be able to organize their work to handle it for the small fees paid in such cases.

The custodians we employ are men usually of mature years and of wide experience in various lines of business. We pay them good salaries, ranging from $2,000 to $7,500 per annum and as a result have obtained the services of men who not only are of great assistance in the administration of the estates but in whose integrity we and the creditors can have confidence. To guard against error or irregularity and also to ensure compliance with the many legal technicalities incident to bankruptcy administration, we have assigned a supervisor to each group of custodians and have placed an official with wide experience in liquidation in charge of that entire department of our organization.

Examination and Collection

WE were convinced that a business-like administration of estates required, as an essential preliminary, an examination of accounts and records and set up an organization to do this work. We have found these examinations of great value in discovering preferential payments, hidden assets and in otherwise assisting the custodians and attorneys in handling the cases.

The collection of accounts receivable was one of the problems to be met. We knew that few debtors were eager to pay their bills to a bankrupt concern and that only by aggressive action could there be any substantial realization. We accordingly set up a collection service and have had excellent success with its operation. This has resulted in increased collections and in an important reduction in collection costs.

As an index to the importance of this innovation in improving the administration of bankrupt estates, in the six months period, July to December, 1929, a total of over $600,000 was collected at a cost of less than 4 per cent. In January alone of this year, the collections exceeded $200,000.

The Underwriters Salvage Company, an organization maintained by the large fire insurance companies, was appointed by the court to sell bankrupt stocks at auction. This has proved a most satisfactory arrangement. Bankrupt estates have the services of an expert and closely supervised firm of auctioneers with resulting economy and increased realizations. In 1929 there were 535 auction sales conducted by the Underwriters Salvage Company.

We have not confined ourselves to auction sales of bankrupt stocks and other assets. Wherever the circumstances would warrant an attempt to sell the business as a going concern

we have used every facility at the disposition of the receivership department and of the other departments of the institution to effect such sales.

In one case involving considerably over $500,000 for the creditors, we sold the business as a going concern and changed the situation from an original estimate of five or ten cents on the dollar to the creditors to one in which seventy-five cents on the dollar has already been paid with the probability that approximately 20 cents additional will be forthcoming. In another case involving a chain of stores, we were able to dispose of the business as a going concern for $850,000, and instead of paying a dividend of one-tenth of 1 per cent as was originally estimated, now anticipate a probable dividend of between 14 and 17 per cent.

We have also been conducting experiments in selling through our own or a specially engaged staff such wholesale stocks as seem to lend themselves to direct sale rather than sale by auction. The results so far have appeared to be satisfactory and we are continuing our experimental work in this respect.

We have also conducted an experiment in direct retail sales, continuing the business for thirty days for that purpose. The appraisal in this case was $17,000 which would, under ordinary circumstances, have meant, with that class of stock (antique furniture), that we would have realized from $13,000 to $15,000 at auction. By continuing the business, investing in newspaper advertising, and in frequent circularization of a selected list of retail purchasers we were able to realize over $40,000 from this stock with an expenditure of less than $3,000, giving us a net return of more than 200 per cent of the appraisal.

Still Experimental Stage

THESE experiments are being continued and we are likewise bending every effort to develop other and better means of disposing of the assets of bankrupt concerns with a view to obtaining the best possible realization for the creditors.

It is to the interest of the receiver that the business be continued as this doubles his compensation. There are comparatively few bankruptcies in which it is to the interest of the creditors that the business be continued. We, therefore, made it an invariable rule that no business be continued unless a composition was in sight or unless it was clearly evident that continuance would be profitable to the creditors.

We also made it a rule that the premises of the bankrupt should be vacated as soon as possible in order to save rent and other expenses.

Closing up the premises of a bankrupt does not thereby bring to an end all the transactions in which the bankrupt concern had been engaged at the time of the receivership. In practically all cases there are continuing transactions which must be taken care of if the receiver is to do his full duty to the estate. We learned that if we continued the business in the premises of the bankrupt the expenses of rent, light, telephone, clerical service, etc., incident to such continuing transactions would be borne by the estate but that if we vacated the premises to save rental and other expenses and moved the records to the offices of the trust company, it would be difficult for us to obtain reimbursement of these expenses. We, however, felt that closing up the premises as quickly as possible was the only proper course and have adopted that policy, conducting all continuing business from the offices of the receivership department of the trust company.

Ask Creditors to Aid

THE trust company has made every effort to enlist the interest and the active cooperation of creditors in the administration of estates. Whenever possible, shortly after we are appointed as receiver, we call a meeting of the creditors at the offices of the company where we have provided a number of conference rooms for their accommodation. At these meetings we outline briefly the situation in the case as it then appears and urge the creditors to select a committee to work with the receiver.

We have had a considerable measure of success in this connection and, in many instances, have found that the committees so appointed give freely of their time to consideration of the details of administration which we place before them. They also, without charge to the estate, are willing in many cases to assist in inventories and appraisals and in the selection of merchandise when it is necessary to increase the stock if business is being continued in operation.

As I have already mentioned, the old practice was for the receiver to retain the attorney for the petitioning creditors thereby insuring his continuance as trustee after the receivership. We, however, felt that we could not permit the prospect of our election or non-election as trustee to influence in any way our selection of attorneys as counsel for the receiver. The results have justified, even in a practical way, the policy adopted. Beginning with election in approximately 50 per cent of our cases there has been a steady increase from month to month in our percentage of elections. By the close of 1929 we were being elected in more than 80 per cent of our cases.

We have received from banks and trust companies all over the country inquiries as to possible advantages to them in undertaking receivership work and as to the problems they would have to meet if they decided to enter the field. Our experience has been much too short to enable us to give a complete answer to either of these questions.

Fees Generally Inadequate

THE Bankruptcy Act limits receivers and trustees to stipulated rates of commission and forbids any additional or other compensation. The statutory fees are probably inadequate throughout the country but particularly so in large communities, such as New York, where rents and wages are high. This condition requires the greatest care in setting up a receivership organization to ensure that there is a clear understanding with the local district court and the referees as to precisely what supervisory service should be rendered by the receiver and trustee in consideration of the statutory fees and what services are to be considered as properly chargeable against the individual estates. Conditions vary in every district and no general rule can be laid down.

Under authority recently granted by the United States Supreme Court it is possible for a financial institution which is designated in all cases as receiver in bankruptcy by the local district court, to keep with itself deposits of bankrupt funds, if said banking institution under the local laws of the state of its domicile is permitted to keep on deposit with itself money collected and received by it acting as receiver or trustee under the appointment of any court. The importance of this step to banks and trust companies undertaking receivership administration is manifest.

In districts where, as in New York, it is necessary to rely upon a permanently engaged personnel, it is essential that trust companies undertaking receivership work should set up a separate department to handle it. By so doing it is possible to organize and develop a staff of specialists and to provide a system of accounts which will separate the accounting for services rendered by the receiver in consideration of the statutory fees and disbursements for services chargeable to the estates at actual cost.

Bristles with Difficulties

BANKRUPTCIES invariably present difficult and complicated problems for solution. They in almost all cases, involve substantial losses to many of the creditors. This cannot be avoided and the best that a good administration can provide is an increase in the realization

(*Continued on page* 891)

A New National Barometer of Credit

By WALDON FAWCETT

Henceforth a Governmental Agency Under Commerce Department Guidance Will Keep Watchful Eye on Conditions of Credit in Retail Merchandising Field. Project Is National and Is Expected to Touch the Banking Field at Several Points.

UNCLE SAM is preparing to become a reporter of domestic credits on a country-wide scale. For several years the Federal Government has been dabbling in information on export credits.

Vigorously disclaiming, the while, any willingness or intention to set up, through its branch offices overseas, a long-range collection agency, the Bureau of Foreign and Domestic Commerce has nevertheless been quietly collecting for American exporters confidential information on the financial standing of importers and sales agents abroad. It has amounted almost to giving official credit ratings to America's customers in the world markets.

So far as Washington has been able to judge, American bankers have never made much use of this particular "intelligence service" of the Commerce Department. But every now and then there have come to department headquarters from banking circles inquiries with respect to domestic credits and retail credits in particular. These inquiries, of course, are not in terms of curiosity as to the resources of individuals but rather as regards the broad picture of retail credits which the inquirers assume Uncle Sam might visualize in terms broader than those of any private commercial agency. Particularly, with the rise of installment selling came a quickening of popular interest.

How the Plan Started

EVEN with these calls for authoritative credit diagnosis—which grew louder with every temporary rise in the rate of business mortality—it is doubtful if the Government could have enlisted in this new cause save for the appeals of the National Retail Credit Association. An incident of governmental research in a different quarter furnished an additional motive.

Beginning several years back, the union of credit men besought the Commerce Department to undertake a study of retail credit conditions and causes. It was represented that there had never been an authoritative, country-wide census of credits at the retail level. The credit association pledged active cooperation through its local branches. While Washington pondered this request, lo and behold, an incentive came from within. From an independent inspiration, the Division of Domestic Commerce had undertaken a restricted investigation of the "returned goods evil" in retail stores of a typical large city.

Disclosed Enormous Waste

THIS probe revealed an appalling source of waste and loss in the unwarranted rejection or exchange of retail purchases. Furthermore, it exposed the existing leniency in store policies of "adjustment" as an insidious and serious cause of whatever ailments afflicted the retail credit structure. So, the Commerce Department took up the responsibility of consulting doctor on retail credits. It was stipulated, from the outset, that the department would report frankly on the condition but would not prescribe the remedies.

Notable as was the entry of the Government upon the stage of credit research, it was a far cry from the original conception of service, to the vision that is just now breaking, of a permanent and continuing system of national reporting of retail credits. The evolution came about in somewhat the same way that "sample" censuses of distribution in eleven selected cities sprouted a National Census of Distributors which promises to prove one of the most valuable fixtures in the Federal program.

The first thought at Washington was to carry out a statistical project which would have only transient value as an index of current credits but would afford, at once, a background and a measuring stick against which executives might at any time check contemporary credit conditions.

Covered 20,000 Retailers

MORE than a year was devoted to the field work and the tabulation of results of the National Retail Credit Survey, the full report of which will be available in the late spring or early summer of 1930. Despite the team-play with organized retail credit men everywhere, it was impracticable to attempt a compilation that would take in every last retail outlet. Nevertheless, reports, in some detail, were obtained from an aggregate of more than 20,000 representative retail establishments covering all the more populous communities in the United States and having aggregate annual sales in excess of $5,000,000,000.

For the purpose of more sharply focusing the picture, the states were apportioned in nine regional groups. In like manner, retail stores were mustered in three general divisions, each covering some seven or eight related mercantile-

Pool of Facts

PLANS for a nation-wide survey of retail credits under Federal Government supervision are discussed here with emphasis upon how bankers may benefit from such a project. It is planned to establish contact with thousands of retail merchants in all parts of the nation through district offices of the Bureau of Foreign and Domestic Commerce. In this way can be set up a clearing house of facts regarding retail credits.



"It Will Reveal Merchandise Stocks in Suspension"

lines—as, for example, all branches of the apparel trades.

Early in 1930, and long before the complete report of the initial survey was ready, the officials of the Department of Commerce decided, from the evidence before them, that there was sound logic in the agitation in credit circles for a permanent system of credit reporting. It was decided to embark on the venture on July 1, 1930, when the first questionnaires for general distribution will go out. These will cover the first six months of this year. At the outset, the governmental reports on retail credits will be published at six month intervals, though compiled on a monthly basis. Later, publication will be made quarterly. Eventually, it is hoped, monthly publication will be possible.

May Ask Bankers to Help

BANKERS have had no hand in shoving Uncle Sam into the rôle of credit reporter, but there is no harm in telling the secret that realization of the value to bankers of the cumulative information obtainable helped to sway the department's decision to make it a steady job. Furthermore, bankers may be called upon, before long, to actively cooperate, just as they are cooperating even now, with the Federal reserve banks in the reports of sales of stores in their respective territories. The Federal reserve reports deal principally with the turnover of department stores and chain store systems. The retail credit survey will have a wider commodity range. There is no thought of placing a double burden of reporting upon bank officials. Rather does the gossip at Washington foresee the day when the retail credit survey, starting as an independent activity, will be merged in the survey of current business, conducted by the United States Census Bureau. That, according to the sanguine forecast, would in turn be followed by absorption of the retail statistical annex of the Federal Reserve Board.

The department staff has definitely sold itself, and will now set out to sell the country on the idea that a permanent and perpetual mirror of retail credits, transcontinental in scope, may be developed into the most dependable gauge of business activity and the best barometer of business trends. Where week-to-week records of check payments reflect past activities, however recent, a survey of credits is counted upon to depict current status and to forecast the future.

One of the chief boons promised for the new Census of Distribution is that it will reveal merchandise stocks in suspension. A parallel simile would have it that the survey of retail credits should dramatize no less vividly "consumer purchasing power in suspension."

Where Bankers Are Concerned

IF the significance for bankers in the main stream of this new information be not obvious, we may pass on to even more intimate contacts. Just as the survey is counted upon to unmask the impairment of the entire credit structure by the unbelievable abuse of the return-of-goods privilege, so will the new venture shed more light than has heretofore been obtainable upon all phases of the "bad check" and "fraudulent check" problems.

Bankers cannot be cold to the half-promise that this new system of credit reporting may be the means of standardizing the system of granting retail credits and, better yet, standardizing the examination of applicants for credit. Finally, the national survey of retail credits is destined to give bankers a better insight into the operations, by and large, of the companies which finance installment sales extensively distributed under deferred payment plans.

At first a shade of disappointment may be felt on discovering that the permanent survey of retail credits is not reared on so grand a scale as the survey lately completed. Neither in range of commodities nor in number of stores covered is the permanent project a match for the curtain-raiser. It required the preliminary adventure to show the Commerce specialists what are essentials in this field and what sources must be tapped for key information. The cost, too, must be kept down, since Congress has not made provision by special appropriation for the enlargement.

As in the case of so many another governmental research project, the plan is to collect, at first hand, data that will afford a balanced, cross-sectional view of the retail credit conditions throughout business America. In order to do this reports will be obtained from seven kinds of businesses—seven clases of retail establishments. These comprise department stores, furniture stores, jewelry stores, men's clothing stores, shoe stores, women's specialty shops, and stores selling electrical appliances such as radios, and washing machines. Only merchants who have agreed to cooperate will be enrolled in the new organization. Questionnaires will be sent directly to the merchants from Washington and their replies will be sent direct to Washington.

Survey Centers in Cities

INSTEAD of attempting to take the retail credit pulse in every community of more than 5000 population, the permanent survey will concentrate on cities of metropolitan size or regional dominance. The feeling at the department is that a central market place accurately reflects the temper of credit in the rural districts surrounding it, and that by touching strategically placed cities it will also be possible to gain knowledge of any freakish manifestations of local credit that are out of line with conditions in general.

The cities to be covered are: Atlanta, Boston, Chicago, Cleveland, Dallas, Denver, Detroit, Indianapolis, Kansas City, Mo., Los Angeles, Louisville, Minneapolis, New Orleans, New York, Philadelphia, Portland, Ore., St. Louis, San Francisco, Seattle, Pittsburgh, Washington, D. C., Baltimore and Richmond, Va.

By pledge that the information received will be treated in strictest confidence and not be subject to the use of any credit bureau or other private agency, Uncle Sam hopes to obtain, from his volunteer reporters of credit, answers

(*Continued on page* 915)

How Will Group Banking Affect the Federal Reserve?

By ELBERT A. CARTER
Federal Reserve Bank of Cleveland

Federal Reserve Act Was Based on Theories of Independent Unit Banking. Present Swift Development of Group Banking May Force Small Institutions to Strengthen Their Relations With the Federal Reserve System as Means of Self Protection.

ONE of the most important phases in the evolution of chain and group banking will be its effect on the Federal Reserve System. The growth of the chains has included both state and national banks as well as member banks and non-member banks of the Federal Reserve System.

There has been no noticeable effect on the Federal reserve banks up to the present time by reason of chain bank development. There are at present chains operating entirely within a Federal reserve district, while others extend over two or three Federal reserve districts. Some chains have no apparent connection with any Federal reserve bank. The tendency of bank in a chain with Federal reserve membership may be to rely less and less upon its Federal reserve bank and to centralize the inter-bank business and operations with the other members of the chain.

Forced to Seek Refuge

THE probable effect of a period of chain bank development will be to compel the independent banks to have a closer relationship with their Federal reserve bank than they have had in the past.

It is very questionable whether the largest banks in the country with many thousands of independent banks as their customers will find it to their advantage to attempt to develop a banking group or chain among their banking correspondents. Sentiment among many of their bank customers is so antagonistic to branch or chain banking that action looking toward the organization of a chain will at once be reflected in the loss of the business of those banks so violently opposed to chain banking. The independent bank may prefer to conduct its business with a bank whose ideas are unfavorable to chain banking rather than to permit a potential competitor to hold its account. Any concerted action by the larger banks in organizing chains would ultimately be reflected in an increased Federal reserve membership.

The Ultimate

IN Washington the House Committee on Banking and Currency is seeking data on how far chain and group banking has gone, not to mention where it is going. The testimony has stirred up a new batch of questions. Here the writer anticipates the ultimate question of the inquiry and undertakes to answer it. One of his conclusions is that the future of the chain bank movement does not depend on legislation but on the purposes of the chain bank organizer.

Conditions Have Changed

WHEN the Federal Reserve Act was passed the exponent of accepted banking practice was the independent bank operated and controlled by a local board of directors anticipating the building up of its community. The independent bank was recognized as the basis upon which banking legislation must be predicated.

Amendments to the Federal Reserve Act followed this theory of banking until the McFadden Bill in 1927 gave Congressional standing to branch banking. With the passage of the McFadden Bill the country banks felt that the question of branch banking had been definitely settled, that branch banking competition had been localized in the larger cities and that Congress had granted a respite to their efforts to escape from branch bank competition.

Hardly a year had passed when it was apparent that impending competition with a new form of banking was present. The almost unbelievable rapidity with which banking chains were incorporated throughout the country awoke the country banker to the fact that here was a competitor unhampered by laws of either state or nation whose aggressiveness he might be forced to fight at any minute. The country banker had witnessed the business decline of many of his best customers who had succumbed to chain store competition and visions of a similar fate have haunted him continually.

Very few prosperous country banks have not received tenders in one form or another from a banking group or chain anticipating its inclusion, consequently it is natural that the country banker is wondering whether his city correspondent is not in the market for his bank. At the same time there is developing in his mind the idea that perhaps his Federal reserve bank will prove in this difficulty an insurance policy of a continued independent existence. The country banker is expecting Congress to institute legislation that will at least relieve him from the fears of chain banking.

Must Recognize Rights of Chains

HOWEVER, any legislation to be of constructive effort and of lasting benefit must now be predicated upon the fact that independent unit banking is no longer the sole banking system in the United States; it must recognize the establishment of branch banking on a wide scale; that extensive banking chains are already in existence which have extensive rights that cannot be ignored; and finally, if a choice is to be made as to the category in which chain banking is to be placed that it must be classified as

independent banking rather than branch banking.

The theory behind the establishment of chain merchandising groups and chain banking groups is diametrically opposed and a further comparison of the functioning of the units in the banking chain and the merchandising chain indicates a wide divergence in their practical operation. Particularly is this evident in the profit margin of operations and in the public service character of the units. The latest information available in the reports of the two largest grocery chains indicates that the average store or unit operates at a net daily profit from $2 to $5, while the net profit per dollar of sales varies from two cents to a fraction less than four cents.

The minimum capital of a national bank is $25,000 and in order to permit the payment of 6 per cent dividends the net earnings of a bank of this capitalization must be at least $5 per day. If independent banks cannot operate at a less profit than this it is doubtful whether branches or members of a chain would be able to do so.

Different From Other Chains

NO other strictly chain business group has the responsibility to the public and the Government which the banking business has. It is the only chain business which partakes of the character of a quasi public service institution. No other chain business has the supervision and frequent examinations that are found in the banking business. This system of bank examination which we see alone in this country implies acceptance on the part of the Government of its responsibility for the banking system, which is not apparent in chain merchandising. Again the personal equation looms larger in banking than in merchandising. These are some factors which may be overlooked by the banker in comparing his condition with that of the merchant who finds chain store competition driving him out of business.

The banks have witnessed the business death of many of their best customers with the consequent loss of their accounts. The rapidity with which the smaller merchants have been eliminated is one reason for the banker's fear of the growth of chain banking. However, it does not seem reasonable to expect that the growth of chain banking will have the same effect in the banking business that the growth of chain stores has had in merchandising.

Public opinion at the present time seems to favor the chain or group plan of merchandising and it may be assumed that it will receive as favorably, chain banking or nation wide branch banking. There is no reason to anticipate a change on the part of the public unless some anti-chain propaganda movement on a national scale is attempted and even this



might not have more than a temporary effect as a deterrent in the chain business development which the country is witnessing.

After all the evidence for and against chain business is carefully weighed it can be seen that the success of the chain movement at the expense of the small merchant has been due fundamentally to the very human trait which leads a purchaser to buy on the most favorable terms. If this characteristic ever changes it will be necessary for us to reconstruct many of our principles of economics.

Future Does Not Depend On Legislation

A CONSIDERATION of the advance of chain and group banking in its present phase of development leads one to the conclusion that the whole future depends not upon legislation, nor the attitude of the country bankers, but upon the mental attitude of those bankers and organizers who are supporting and developing banking chains along the present paths of progress. It is an evolution in banking resembling in its development the advance of the speculative craze seen on the various stock exchanges of the country, the termination of which came last fall.

It can readily be perceived that no legislation could stop speculation by the public when the public is determined to speculate. Repeated warnings by banking authorities and all the effective means at the disposal of the Federal Reserve Board, though used continuously for over a year, made no more than a passing impression upon the minds of the masses who were responsible for the last bull market. Stocks were bought and sold at ridiculous prices as long as the public was interested in buying and selling stock market quotations. Like all bull markets the last one was another manifestation of mob psychology and could not be stopped by reason or argument until it had burned itself out at its own convenience and in its own way.

The present wave of organizing chains and groups of banks has many of the same characteristics. The movement is one that feeds upon itself and will continue to grow and absorb more and more independent banks until there is a decided mental change on the part of the men who are directing and are responsible for its development. So long as certain bankers honestly believe that to preserve their business and to enable them to make greater profits, the organization of a banking chain is required, just so long will we witness a continuance of the present movement toward chain bank formation, regardless of legislation or our personal feelings.

From Coast to Coast

WITHIN a decade this country may have banking chains organized to an extent not believed possible today.

(*Continued on page* 914)

EDITORIAL

Common Stocks or Bonds

THERE is no evidence that the cycle of investment in common stocks has been completed or that the public has turned to bonds after the defeat it experienced in the speculative markets last autumn.

It is true that there has been a decided shift in the character of securities issued to provide new capital for corporations. In December, for instance, the total par value of new common stocks, aside from those representing refunding operations, was $109,000,000 compared with $462,000,000 in December, 1928. In January the stock figures were $122,000,000 and $437,000,000 respectively. On the other hand corporation bonds issued in January were $485,000,000 against $261,000,000 in the same month of 1929.

The ratios as between stocks and bonds would be increased in favor of the latter if the obligations of municipalities and foreign governments were to be included. When it comes to the price changes in junior and senior securities, however, all of the advantage is with the former. Since November 13 there has been a recovery of about 35 per cent in industrial and public utility stocks and of 20 per cent in railroad shares. In the similar period the improvement in bonds amounts to only 4 per cent. It is to be remembered, too, that fixed interest bearing securities have been favored by cheap money while "equities" have had to balance a part of their improving technical condition with unfavorable corporation statements for the months affected by the stock panic.

So, in all, it looks as though the public which buys and sells securities is still strongly stock-minded in spite of the fact that it had its fingers badly burned only four months ago.

An Economic Loss

ALTHOUGH no statistics are necessary to establish the fact that when a candidate for employment has passed middle life the dice are loaded against him, precision is given to the case by one result of the analysis of 10,000 claimants to unemployment benefits in England.

"The amount of unemployment experienced by men in the 55-64 age group is over 50 per cent greater than in the age group 18-24," observes the London *Economist*. Even more marked is the increase in the last unemployed period toward the higher age groups. Among men 18 to 24 in the September inquiry, the last spell of continuous employment averaged seven weeks, as compared with fifteen weeks in the age group 60-64." The same difficulty on the part of those advanced in years is observable here in our own country for reasons that are so obvious that they need no comment.

Let us pass considerations of humanity, and the depressing picture that may be seen from the side of the man of advanced years who cannot find employment, and look at this American problem solely from its economic side—a good thing to do in this age of wealth from waste.

The man advanced in years is generally a poor salesman of his own wares. His enthusiasm over himself probably has vanished; often his appearance is against him. From the sales point of view he may make a poor showing beside the fresh younger man competing with him in the personnel department of an industry, but in the majority of cases there is good in the old man yet, and no doubt in many cases he may be economically more valuable to an industry than the younger man to whom he loses.

If, however, provision were made to ascertain by something more than a guess, how valuable the man who is no longer young might be—if some plan were set up to give special examination (not special favor) there might be more salvage of labor and even of special abilities. For the unemployed must be carried by the rest of the race, somehow and in some way and the cost falls back on the body politic, disguised though it may be.

Directly or indirectly society and industry are taxed for it, through the maintenance of public institutions, through demands for higher wages as the result of the pressure of the burden of unemployed who thus become dependents through losses in purchasing power.

The Decline in Commodities

ONE of the saving features of the financial and speculative situation last November was its freedom from complication from a high level of commodity prices and extended inventories of merchandise and raw materials. Since then, however, declining commodity quotations have become a factor that has served to retard the movement toward industrial recovery.

To the steady fall in metals, oil, coffee, sugar, leather, rubber and the reactionary trend in textiles there has been added the weight of overproduction or contracted consumption of grain, provisions and cotton.

In January the index figure dropped 1½ points, completing a decline for a year of 5.7 points. This is one of the sharpest changes that has occurred in so short a time since commodities began to take a downward course nearly eight years ago, and brings the average to the lowest since 1922.

The shrinking commodity price index is not confined to the United States. It is more or less world wide. Great Britain had practically the same drop in prices in January as did this country. Her commodity level is now the lowest in years.

That of France for the same month was below that of any similar period since 1925. It would appear that we were in a cycle of declining commodity prices which may run through a long period of time just as we witnessed an almost constant rise in such prices just before and during the war, with a culmination

of this tendency in 1920 when there were the same extravagant views concerning the worth of sugar, rubber, farm products, etc., as about a decade later expressed themselves in competitive bidding for junior securities at from twenty to fifty times their earnings per share.

The Slump in Silver

FROM a private letter written by an American in Shanghai in January an interesting sidelight is shed on conditions created there by the fall in silver:

"We're all going through a frightful period of depression, a reaction from the preposterous exchange fluctuations. Do you realize how low silver is at present? My dollar Mexican translated, as Senator Brookhart would say, into 'real money,' is worth just about 0.33 at this writing. This is the lowest quotation we have ever had for silver. It is more than 3 to1. When I came to China it was only slightly over 2 for 1.

"If I had been changing all my Mexican into gold during my stay here I should now be at least $1,000 wealthier, in terms of the Mexican dollar. But instead I have been hoarding it in silver and the rate has persistently declined. What will happen when I have to buy gold before I start travelling I do not know.

"India and Japan both recently have reverted to a gold currency standard, which is largely responsible for the flooded silver markets. Nobody wants it. China is flooded; so is Mexico.

"I am in a pickle, but think of others who have spent their lives out here, and value everything they own in Mexican dollars. Men whose fortunes ranged into the hundred thousand dollar class have within a few weeks had their estates reduced by 30 per cent. For us it has been almost as serious a matter as the stock exchange crash in New York—and not a little connected with it."

Commenting on the fall in the price of silver an economist in America observes that "historically such a fall in the ratios between the two metals often has given rise to a demand for the additional coinage of silver, perhaps in extreme and interested circles, a demand for free silver or bimetallism."

This Year's Earnings

A NEW situation confronts bankers in the present period. Lower interest rates do not necessarily presage lower earnings in the ordinary course of business. Ways will be sought to keep up the earnings, and one logical direction in which to turn for supplementary income is toward what may be roughly called the by-products of banking.

Trust business is promising, for the trend of the public mind toward the corporate fiduciary is unmistakable and pronounced; and the methods and means of winning this class of business to those institutions having power to accept it are no longer a mystery.

The momentum that the movement away from the individual trustee or executor to the institution has gained, is indicated by the reports of the growth of trust company business all over the country.

The bank management movement, inaugurated last year and now engrossing the attention of bankers everywhere, already has provided many suggestions of ways to better earnings. The desirability of looking sharp for new revenues in the period of easy money will no doubt add impetus to study of management.

In the conferences that are being held this year under the auspices of the American Bankers Association there should be found for many bankers satisfactory answers to the question:

"What will we do to keep our earnings up?"

Public Confidence

THE hearings before the House Committee on Banking and Currency, if they include the Federal Reserve System, may result at length in amendments which will add to its strength and refine its functioning. The hearings may also add to the general public's enlightenment and understanding of what the Federal reserve means to the welfare even of the man and the woman who have practically no use for banks. It may loom up the true value of services that Federal reserve officials are rendering to business.

But it is an extraordinary piece of machinery that is likely to be helped by too much anxiety on the part of too many persons to adjust and readjust its working.

Public confidence is one of the pillars of banking and banking is the closest cooperator of business. One cannot be obstructed without the other also being hampered.

Every effort should be made—and we believe that every effort will be made—at Washington to preserve to the fullest degree the confidence of the public in its reserve system.

A small readjustment of something here or there in the Federal Reserve Act would cost too much if it were effected at the cost of a large measure of public confidence in banking as a whole.

The Number of Banks

MERGERS, consolidations and failures have accounted for the disappearance of approximately 1500 independent banks in the United States during 1929.

In the same period almost 400 banks opened their doors for business and this reduced the net decline in the number of separate banking institutions to a figure slightly above 1000. The total number of banks in the United States is now in the neighborhood of 25,000, compared with 31,000 eight years ago.

The average decline since 1922 has been, therefore, something less than 800 banks yearly.

On the other side of the world, in Japan, a similar change was in progress. A total of 148 institutions closed their doors in 1929. In view of the fact that the total number of banks in Japan now barely exceeds 1000, the forces tending toward concentration of banking capital would seem to be making relatively swifter progress in the island empire than in America.

In Germany, out of a total of 3000 private banks, approximately a tenth of them went out of business during 1929. Many were old banks controlled by individual families. Their profits, mostly derived from speculative activities, ceased too suddenly for comfort when the volume of security trading declined last fall.

Meanwhile there are ample signs that the great German banks are gathering the reins more and more firmly into their own hands. By one means or another small banks are placing themselves under the protection of big, central institutions.

Two Bankers Were Talking

By FRED W. ELLSWORTH
Vice-President, Hibernia Bank & Trust Company, New Orleans

Soft Answer Suggested for Customers Who Complain Against Special Service Charges by Banks. Sincerity of Customers Not Questioned. Bankers, However, Are Urged to Discuss Bank's Viewpoint with Customers Frankly and Reasonably.

FRANKNESS is an excellent remedy for those daily disputes with banking customers over interest rates on loans, exchange on out-of-town checks, service charges on under-minimum balances and other traditional and frequent causes of ruffled feelings.

Two bankers were talking:

"What do you consider your major problem?" asked one.

"Well, I don't know just what could be considered my major problem," replied the other, "but I can tell you very definitely which one causes me the most annoyance. Hardly a day passes that I don't have from one to a half dozen discussions with customers who either cannot or will not understand that they should keep on deposit a sufficient balance to justify the service that we give them. Some of these offenders are local people and some of them are 'non-resident' or 'nationwide' customers whose headquarters are in some distant city, like for instance, the railroads, the express companies, industrial concerns, merchandising corporations, and so on."

Chain Stores

"PROBABLY those who take up most of our time and cause the most trouble, because there are so many of them, are the chain stores, but the offense that is committed and which seems difficult to iron out is the same in every case. We find that we are performing services for these customers either without profit to ourselves, or at a positive, and sometimes at a substantial loss. All of this, of course, is economically wrong, both from the standpoint of the bank, and from the standpoint of the customer; and if we could only make our customers understand the situation as it is, I am sure that most of them would be willing to establish their account on a reasonable basis. The trouble is that we just can't reach the high-up executive who makes the decision."

This is a report of an actual conversation and reflects the attitude which the average banker has toward the customer who is receiving banking service as a gratuity and seems perfectly willing to accept it on that basis.



Diplomacy

SEEING and understanding only one side of the picture is not enough. Bankers would gain by studying customer's position, particularly the reason so many of them assume that a bank is able to perform valuable services free of charge. Here we have two bankers comparing their troubles in making customers see that banks must charge for the products they sell just as any other business institution. Some customers will air grievances but others do all their grumbling privately.

Definite Loss

THE banker, of course, sees his own side of the picture and is satisfied that he is wholly right in the premises, and that the customer is wholly wrong. He analyzes these accounts month by month and discovers that invariably they show a definite loss to the bank; but his desire for business, and the inexorable urge of competition influences him to continue the accounts, even though they are constantly and consistently unprofitable.

Now it so happens that I have never heard two bank customers talking over their troubles, but I can imagine that such a conversation would sound about like this:

"Can you tell me why it is that my bank insists on making a charge of a little old measly dime on every check that I deposit? Most of the checks that I put in the bank are under $100, but every one of them is penalized. For the life of me I can't see why an institution occupying a magnificent building like theirs should be worrying about 10-cent pieces, nor can I understand why they can't give me credit for the full value of a check which is perfectly good and which calls for a specific amount." Thus, Customer A states his grievance.

"Neither can I," responds Customer B. "Only last month my bank soaked me a dollar on my account because they said it had averaged less than $200 during the preceding thirty days. I don't object so much to the dollar, but I do object to the principle of the thing. They have my money all the time and they are lending it out and making a profit on it, and yet when my balance happens to run below $200 they clap on a dollar, claiming that that is a so-called 'service charge.'"

Objects to a Fair Profit

"YES," retorted Customer A, "and on a little $500 loan that I made at my bank last month they charged me 7 per cent, when anybody who keeps abreast of times, knows that the Federal reserve rate is only 4½ per cent. Is it any wonder that the rich are getting richer, and that the poor are getting poorer?"

Those two bank customers were thoroughly sincere in their complaints, and no doubt were convinced that their banks were treating them unfairly, but we know that they were talking without having the banker's side of the story. Of course the logical thing for the customer to do is to go to his banker and get the facts, and many of them do that. Unfortunately, however, too many of them fondle their troubles, and keep on enlarging them until they develop a real mountain of antagonism toward the very person with whom they should be on the frankest and most intimate terms.

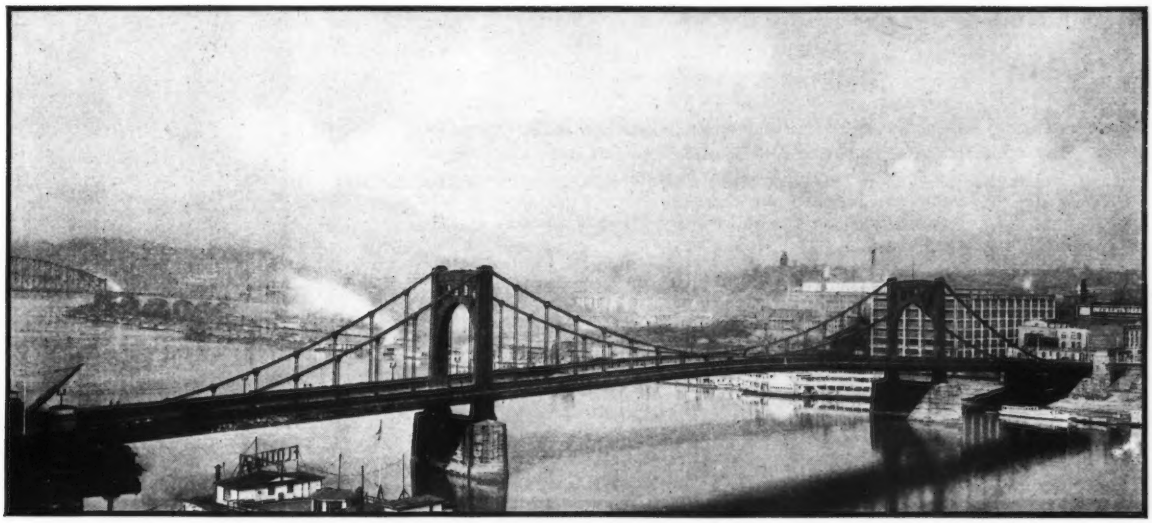
There recently occurred in Chicago a most significant conference between a group of bankers and a group of bank customers, in which their relations were

(*Continued on page* 895)

STRUCTURAL STEEL CREATED THE SKYSCRAPER

The Sixth Street Bridge over the Allegheny River at Pittsburgh was selected by a national jury for the 1929 award in the competition established by the American Institute of Steel Construction, Inc. These awards are made annually for the most beautiful steel bridge completed during the preceding year. They are in response to the growing interest of architects and engineers in the aesthetic design of bridges.

Among other things, the judges said: "A very difficult situation has been met with restful and attractive design and by a frank use of the structural adaptability of steel." . . . "In a singularly clear way it expresses the construction of the bridge without unnecessary ornament." . . . "It demonstrates that bridges of steel fully satisfy the requirements of beauty without undue cost in fabricating and building."



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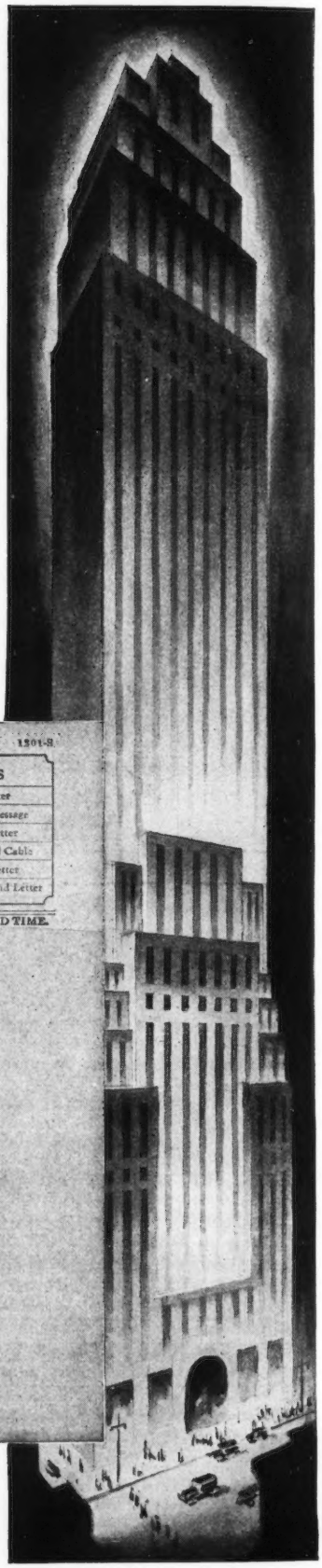
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Getting the Right Start in the Trust Field

By GILBERT T. STEPHENSON
Vice-President, Equitable Trust Co., Wilmington, Del.

First Move Toward Success is to Find the Right Man for Trust Officer. Obtain the Support of the Rest of the Organization. Establish a Basis of Understanding with the Local Bar. Build Up Departments with View to Future Growth and Expansion.

AN old legal maxim is to the effect that the principal part of everything is the beginning. It is as true of trust business as it is of any other human enterprise that what's well begun is half done.

Whether we judge American trust companies by their age or by their trust assets, we must conclude that most of them are still in the first lap of their life-course. If by age, we find that three-fourths of them are less than forty years old. If by trust assets, we find that fully as many of them are still small.

While there are 4000 trust companies and banks with trust powers, not over 1200 of them have active trust departments. For practical purposes we may divide these 1200 into three classes—small, medium-sized and large—and put into the first class all those with personal trust assets of less than $10,000,000, into the second class those between $10,000,000 and $100,000,000, and into the third all over $100,000,000, Not over one-tenth of them would be classed as large, perhaps one-fifth as medium-sized and the balance as small. In the tenth would be found less than a half-dozen super-trust departments whose personal trust assets exceed $1,000,000,000 each. The only other billion-dollar trust corporation in the world is the Public Trustee of England.

Giants of the Future

THIS classification is, at most, temporary. It must be so, for any classification, however applicable today, will be out of date tomorrow. Ten years ago we should have classed a trust department under $5,000,000 as small, one between five and fifty as medium-sized, and one over fifty as large. Ten years from now we shall probably regard any trust department under $50,000,000 as small, between fifty and five hundred as medium-sized, and only those of $500,000,000 and over as large.

It will be with trust departments as it has been with life insurance companies. It took the latter a century to get their first hundred billion; they will probably reach their second hundred billion in a decade. By the end of this decade billion-dollar trust departments may be as numerous as hundred-million-dollar ones are now.

The first move toward getting the right start in the trust field is to find the right man for trust officer. This, of course, is primarily the problem of the president, and it is the fundamental problem. Get the right man, and he will go a long way toward solving the other problems. Get the wrong man, and he will become the biggest problem of all.

Where is a president to turn for the right man? Other things being equal, he should be a local man already experienced in local trust business. But there is usually a dearth of such men. Furthermore, the prospect of opening a new trust department is not alluring to an experienced trust man. It is too much like starting one's lifework all over again. The president may be forced to take an inexperienced man and let him grow up with his trust department.

In nearly every community that is populous enough to support a trust department there is to be found some clean-living lawyer between, say, thirty and forty, a man of family, who after several years of experience at the bar is still not quite happy in the rough-and-tumble of general practice. He has a fair-sized practice, to be sure, because he commands the confidence and respect of the public. Such a man, who is really a combination of lawyer, business man, salesman and social worker, is the material out of which a real trust man may be made.

Association Can Help

THE Trust Company Division of the American Bankers Association, I venture to suggest, may do something to increase the supply of trust men of this type. In our leading law schools there are hundreds of young men who are not looking forward with zest to the general practice, yet they are interested in the study of law. They have an instinct for salesmanship which, they are being taught, must be curbed at all hazard lest it lead them into unprofessional conduct. They have a knack for business that only awaits development. They have an impulse for social service that will not let them be content with the opportunities offered by either the practice of law or politics.

They are the potential trust men of the future. And the Trust Company Division may well enter a working arrangement with the leading law schools whereunder outstanding trust men will from time to time at smokers and in round-table talks explain the qualifications, obligations and opportunities of law-trained men in the trust field.

The next move in getting the right start is to obtain for the new trust department the patronage and support of the officers, directors and stockholders. This is the joint obligation of the president and the trust officer. A trust officer cannot do his best work unless or until he is assured of the support of the officers, directors and leading stockholders of his company. Nor can they encourage others to patronize their trust department unless or until they themselves patronize it.

Follow the Leaders

A THIRD cautious but none the less essential, move in getting the right start is to establish the right relation with the local bar. In the past most of the misunderstanding between lawyers and trust companies has been over the writing of wills and trust agreements. Gradually a local practice on these matters has been established to which the leading trust men and members of the bar adhere. The practice differs from state to state and even from city to city in the same state.

Certainly I do not mean to appear as a proponent or opponent of any of these practices. My only purpose is to call

(*Continued on page* 896)

Sound Practice in Handling Insurance Trusts

By C. ALISON SCULLY
Vice-President, Bank of Manhattan Trust Company, New York

Insurance Trust Volume Increased 367 Per Cent over 1927. Chief Progress Made in East and Middle West. Movement Has Been Characterized by Friendly Cooperation Between Insurance and Trust Companies. Practices Tend Toward More Uniformity

THE insurance trust has been adopted by the American public. For several weeks past the Trust Company Division of the American Bankers Association has been engaged in an exhaustive survey of the volume of this business now being done. Conservative estimates place the aggregate amount of life insurance policies deposited during the year 1929 with the banks and trust companies of the United States as trustee under trust agreements at $1,200,000,000. This represents an increase of 71 per cent over 1928 and an advance of 367 per cent over 1927.

These figures show more eloquently than the general statements of a written report that the insuring public is confiding the investment and administration of policy proceeds to the banks and trust companies. The increase does not represent the passing whim of a fickle public. It is a solemn endorsement of the corporate fiduciaries of America as the conservators of invested wealth, the protectors of the financially inexperienced.

A fundamental, healthy sign revealed by the increase in the aggregate value of life insurance trusts is the corresponding growth in the number of institutions engaged in this field of service. The banks and trust companies reporting to the Trust Company Division that they had been named as trustee under insurance trust agreements in 1929 was almost double that for 1928. The number of insurance trusts reported for 1929 was 15,012, as against 8967 for 1928. The average amount of the policies deposited in individual trusts was $57,807 in 1929; in 1928 it was $49,591.

The results in some of the more important centers are very interesting.

	1929	1928
New York	$175,000,000	$90,000,000
Chicago	100,000,000	75,000,000
Detroit	70,000,000	70,000,000
Cleveland	65,000,000	55,000,000
Philadelphia	50,000,000	35,000,000
Pittsburgh	45,000,000	32,500,000
St. Louis	33,500,000	29,000,000
Newark	15,000,000	14,000,000
Boston	10,000,000	12,500,000
Los Angeles	10,000,000	10,000,000
San Francisco	12,000,000	7,500,000
	$585,500,000	$430,500,000

Total Above $2,500,000,000

THE first annual survey made by the Trust Company Division disclosed $541,000,000 in life insurance policies deposited with corporate fiduciaries under trust agreements during the five year period 1923-1927, inclusive. This amount was increased by $700,000,000 in 1928 and with the $1,200,000,000 deposited during 1929, the total amount of life insurance policies now reposing in the vaults of the banks and trust companies of the United States as trustee under trust agreements may be safely said to exceed $2,500,000,000. The work of education and development done by the trust companies in the field of insurance trusts has indeed borne fruit.

The most wholesome and friendly cooperation between the banks and trust companies of the country and the life underwriters has characterized the movement. The spirit of this joint enterprise is reflected in the joint statement of general principles of cooperation which has just been adopted by the committee on insurance trusts of the Trust Company Division of the American Bankers Association and by the committee of the National Association of Life Underwriters for cooperation with trust companies, as follows:

Founding Estates on Insurance

1. The way to begin to build up an estate is to buy life insurance. After the payment of bare living expenses, the first item in the family budget should be for the payment of premiums. It is the only safe and sure way to create a capital fund payable in cash in case of death.

2. Every estate requires cash for the payment of debts and inheritance taxes. Life insurance will meet this need.

3. The trust company is in the business of administering estates whether these are composed entirely of life insurance proceeds or include other assets.

4. The principal advantages of the life insurance trust for the administration of policy proceeds are:

   (a) It provides a single and uniform plan for the management of the proceeds of policies in several different companies.

   (b) It provides a convenient, experienced and impartial financial adviser for the family of the insured.

   (c) It affords flexibility of management and may be used to meet unforeseen emergencies and family misfortunes.

5. The life underwriter and the trust officer should collaborate in advising the creation of insurance estates and the administration of the proceeds of the policies by trust companies for the best interests of the insured and his family and to their own mutual advantage.

6. Fees, commissions and other compensation resulting from any business in which the life underwriter and trust officer may collaborate should pass to the person to whom they would ordinarily belong in the regular course of business and neither shall expect nor be entitled to a share in the financial return of the other.

The committee on insurance trusts has given careful study to other important phases of life insurance trusts which are now in evidence and several matters are of sufficient significance to warrant serious attention.

Various plans for the establishment and building of so-called "trust estates," which involve the cancellation, lapsation or surrender of life insurance policies, are from time to time tendered to trust companies as trustee. Be extremely cautious in accepting any insurance trusts which involve as an integral part of their operation the cancellation and surrender of any insurance and certainly no such plan should be adopted without giving consideration to the underwriters who have placed the insurance originally.

Assures Ready Cash

ONE of the advantages of the life insurance trust is that it makes ready cash available for the payment of inheritance and estate taxes in the settlement of the estate of the insured, if needed. It is not always needed, however, and even if some of the funds may be used for that purpose, the trust agreement should not provide specifically that the funds must be so used. If such provision is included in the trust agreement, there is danger that the entire proceeds of the policies may be required to be included in the estate of the insured for inheritance and estate tax purposes.

Certainly the amount actually used for the payment of such taxes will have to be included in the calculation. The wiser and more salutary plan is that the trustee of the insurance trust be per-

(*Continued on page* 898)

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Practical Uses of Living Trusts

By LANE D. WEBBER
Vice-President, First National Trust & Savings Bank, San Diego

Living Trusts Furnish Happier Selling Approach to Average Person Than Suggestion He Should Hurry and Make His Will. Relief From Present Cares and Future Worries Are Important Persuasive Arguments. Service Effective Check Upon Youth.

ONE who would teach must first learn. One who would accomplish must first plan. The idea of the living trust early presented to me certain salient, if silent, sales appeals. You suggest to the prospect a voluntary act and one which is for his immediate benefit. He has been rubbed raw and scientifically vivisected by and with the irritating injunction that he must make a will because he will surely die. He has been smothered with advice from friends and family, bankers, lawyers and ministers, that it is his duty to make testamentary disposition of his worldly accumulations, to the end that the natural objects of his bounty shall be protected and provided for—because he will surely die.

Now this advice is both truthful and timely. Although always so, it is particularly appropriate in this dangerous day with the airplane and automobile making new highs daily in the national morgue market. But, nevertheless, it is irritating and creates a sort of auto-intoxicating sales resistance.

Avoid Gloomy Sales Talk

IMAGINE the gratitude and ready response of that man when approached by an adroit trust representative, who talks not of death but of life and of surcease from the manifold duties and perplexities of managing earthly possessions; who brings relief from the intricacies and worries of taxation, income and otherwise; who pictures vacations and travels with the assurance of freedom from personal business cares. From contemplation of the somber solitudes of death he is diverted to the pleasing prospects of enjoyment and freedom, and the ultimate disposition of his properties becomes a mere incident to the service in his own behalf. The living trust becomes a substitute for the irritating idea of the will and death.

The average man is neither selfish nor cowardly—just overworked. He is highly mindful and appreciative of his responsibilities, both during and after his life, but seeks to lighten, not avoid them. He who strives to lighten the burden of another follows an immortal example and will enjoy a reflection of friendship.

How easy it is to show to the successful business man the skill, care and integrity that will surround the handling of his properties when they are in your hands! The more experienced and successful he is, the easier the task. How easily overcome the first slight resistance to the cost! If he is a man of the world and has employed persons of even modest or mediocre skill, he will readily see and admit that the fees charged for this most precise and exacting service are really absurdly and pitifully small—inadequate, in fact, for the employment by him of even the more or less mechanical assistance needed for the recordation of his transactions and affairs.

Some Sample Arguments

CONTRAST for him the difference between the cost of the living trust and those expenses incident to the probating of his estate. Translate that difference into years and compute the time he must live to unbalance the economy. Intrigue him with the thought that he may, during his life, observe the conduct, by you, of that which will be his estate when he is gone. Cite the facility with which he may alter the plan of his trust as there may come about varying conditions in his family.

The very considerable economies that may be effected in death duties by the making of irrevocable trusts furnish fine sales arguments, as do suggestions about the setting aside of a portion of one's holdings as insurance against the many calamities that can and do occur.

Demonstration of the worth of living trust service to a woman is even a more easy undertaking. This is partly because of her keen perception, her probable inexperience in the tedious technique of business and her frequent absorption in more feminine pursuits.

My experience permits and justifies the assertion that the living trust is the most attractive and easily sold of our wares. Its marketing requires no high pressure or stilted salesmanship, but just a lot of common sense and a thorough knowledge of business, banking and law, applied with a comprehensive and sympathetic understanding of human nature and the intimate problems of mankind.

There might be recited innumerable instances of the practical uses to which living trusts may be and have been put, but most of them are of such common knowledge as to be rather uninteresting. A living trust may become the agency for the adjustment of property rights between disagreeing and separating married people, avoiding litigation over alimony and assuring its continuous payment. In at least one such case within our knowledge is brought about the removal of one of the major troubles between the couple—that of money and property—and resulted in their returning to the marital status and living happily ever after.

Special Uses of Living Trust

OCCASIONALLY someone uses this means to make provision for some object of his bounty whose identity it is advisable not to disclose. It is a highly efficient and commendable method whereby one may contribute to charity or some educational, scientific or philanthropic purpose in a most unostentatious manner. Often a parent will resort to the plan to insure a fixed income to a child not otherwise likely to be able to care for itself or be cared for.

Frequently a computed sum will be so trusteed with planned periodic payments that will exhaust both principal and income in an approximate number of years. Many small trusts are made, during the infancy of a beneficiary, with provisions for accumulation of income until the child shall have attained the age when it will be ready to receive an education or take advantage of the benefit thus assured.

A thoughtful person of our acquaintance placed a rather modest sum in a trust, irrevocable for a fixed time, requiring accumulation of income throughout that period and making the accumulated fund available to himself in his declining and unfruitful years—contingent, of course, upon his continuing to live and providing for distribution in the event of his death. Young people can be easily encouraged and persuaded

(*Continued on page* 897)

Investment Trusts in First Test

By CHARLES F. SPEARE

Investment Trusts Had Baptism of Fire in Recent Price Crash but Escaped without Permanent Damage. Executives May Have Been Swayed by Visions of Huge Trading Profits Just as Public Was. Their Chief Aim Now Is Steady, Sure Income.

THE question is asked, How did American investment trusts and trading corporations meet their first test in the break of last October and November? The answer may best be given by showing the percentage of decline in a representative group of listed and unlisted finance company shares and comparing this with what happened to a similar group of industrial, public utility and railroad stocks which may be found in the portfolios of any important member of the "trust" class.

The high average price of the fifteen investment trust and trading corporation stocks last year was 83. The low was 21. So we have a depreciation here of approximately 75 per cent. On the other hand, at their summit the fifteen issues in the second group averaged 226 and at their minimum the average was 95, or a shrinkage of around 58 per cent. This was a trifle higher than that of a larger composite group which was in the neighborhood of 50 per cent.

Higher Average Recovery

ALLOWING for even wider swings than the average in both groups, for in individual finance company shares it was as much as 80 and 90 per cent from the top to the bottom of the movement and 60 to 65 per cent in members of the comparative group, this is about as accurate a measuring factor as could be employed. If we go further and investigate the subsequent action of the two lists of stocks we find that there has been a higher percentage of recovery to the end of February in the "trust" shares than in the others, for in the corporation group there have been several that have sold either lower this year than they did last autumn, or else have made very little recovery while practically all of the "trust" company stocks that have continued their existence have shown substantial rallies.

The investment trust and trading corporation stock was the new toy of the 1929 speculative market. Like all novelties it was fashionable and its importance and value overestimated. It should be as simple at any time to approximate the asset value of a stock in a "trust" as to obtain the current book value of a bank stock for the worth of the former is no more than the aggregate of its component parts represented by the members of its portfolio reduced to their proper relation to the number of shares outstanding. The public, however, which had a tremendous passion for "trust" securities six months ago, was not willing to accept this formula as representative of what such shares should command in the market.

Although it was well known that corporation stocks in the "trust" portfolios were selling at so many times their earnings that they had discounted all possible prospects for the next few years it fought for the new issues of investment trusts and trading companies at figures which were two and three times above asset values, even taking into account the inflated prices of their investments. Consequently, when the reaction in the market came, the "trust" issues were relatively more expanded than were representative corporation securities. The deflation naturally was greater in the one group than in the other. It was intensified, also, by the fact that the public had become suspicious of this market novelty and was as much inclined to discriminate against it as it had been to show partiality for it.

New Machinery

IN testing a new piece of machinery or a bridge it is frequently necessary to make the strain greater by far than is likely ever to occur during normal daily usage. Investment trusts were not an entirely new financial machine in 1929, *but their development on a large scale was new. Yet as this article points out, they were able to meet an unusually severe test and emerge from the ordeal in fairly good health and spirits.*

In a "Soaring Market"

IN a book recently published on investment trusts there appears the following remarkable statement:

"The trust can never be stampeded in a panic, nor lured from its safety by the glitter of a soaring market. In the first instance—that of a falling market—the trust would quietly pick up choice securities at sacrifice prices; while in the second instance—a soaring market—it would unostentatiously sell and gather the profits from securities purchased below their intrinsic values, such profits to be reinvested in securities selling below intrinsic values in other markets."

If there is any test that the investment trust and trading corporation failed to meet last year it was in acting in accordance with the popular judgment of how it would act under such circumstances as are indicated above. I have never subscribed to the doctrine that the investment trust would be a "cushion" on which a stock market could fall from a great height and avoid the bumps and injuries that came to it when panic was prevalent in other years. The "trusts" are managed and directed by human beings who are equally affected as are other humans by the strain of demoralized markets. They were both lured by the "glitter of a soaring market" and "stampeded in a panic." This was not true of all of them but it was an exception to find a "trust" whose management had resisted the temptation to buy high priced corporation shares, especially those of the public utilities, when they reached the maximum prices in August and in September, although they may have persistently refused to buy these same stocks to much greater advantage six months previous.

(*Continued on page* 910)



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What Is Adequate Compensation for Trust Service?

By L. H. ROSEBERRY
Vice-President, Security First National Bank, Los Angeles

Profitable Trusts Help to Carry Unprofitable Ones. Fees Must Be High Enough to Assure Reasonable Average Profit For All of Them. Charges Should Be Made Uniform in Various Regions. Revenues Now Vary Widely from One Area to Another

SCHEDULES of fees should never be complicated. The simpler they are the better, both for the customer and the trust company. Complex schedules disturb a customer and are expensive for the trustee to use.

While it is probable that trust companies will not, for an indefinite period, devise a schedule of charges which will be termed "ideal," nevertheless most of the western companies have for years been using a schedule of fees which have proved equally satisfactory to the customer and more remunerative to themselves than any they had previously used or any our eastern friends are using. These western schedules have three fixed elements, all based upon the reasonable value of the principal of the property trusteed, and one flexible item to cover unforeseen contingencies. They are:

Four Kinds of Fees

1. An acceptance fee, usually equal to one-tenth of 1 per cent on the reasonable value of the trust estate, with a minimum of $50.

2. An annual fee, likewise based on the current reasonable value of the trust estate, varying from one-fifth of 1 per cent, for holding or non-active trusts, up to three-fourths of 1 per cent, or even as high as 1 per cent, for full management active trusts, both testamentary and voluntary, with another minimum of $50.

3. A closing fee, due at the revocation or final termination of the trust, of one-tenth of 1 per cent on the principal in the former case, and varying from 1 to 2 per cent, or even 3 per cent, on the principal in the latter case, depending on the amount distributed and the legal and practical complications involved in the final distribution, with a minimum of $50 on the revocation and $100 at the final termination.

4. A reasonable additional fee for any unusual or extraordinary services.

An experience extending over many years, involving thousands of trusts, and contacting competitively and otherwise many thousands of customers, has proved that both this plan of charging and these percentages on the principal of the trust fund can be economically applied, meet with little sales resistance from the public, and produce a satisfactory return to the trustee. These rates and this method of annually charging on the principal more adequately and equitably compensates the trustee for services it actually performs and responsibilities it actually and potentially assumes than would be possible from an annual charge based solely upon the income.

Every experienced trust officer knows that trusts frequently contain assets which yield little or no income and yet may and often do involve much work and substantial responsibility. In fact, this type of non-income-producing assets often calls for more work and a larger responsibility than do many types of income-producing assets such as stocks, bonds and mortgages. While it may be argued that an annual charge based upon income solely is a charge based upon ability to pay, yet that should not be the determinative factor in trust company compensation. A trustee should be paid for the services it renders and responsibilities it assumes rather than for the income it produces.

One Charge for All Trusts

IN the long run it can operate on no other basis, for its operating cost is a service cost exclusively. It cannot legally nor ethically concentrate its attention on the income-producing assets and neglect the non-income-producing ones. It may be true that its net profit on one kind of trust may be greater or less than on another, yet its standard charge for all trusts in a given classification should operate so as to yield a reasonable profit on the whole class and not so as to produce a fee on some trusts and none on others.

This principle of fee fixing is an economic law and is identical with that of fixing the sales price of merchandise. Two pairs of shoes of the same quality and size may be sold to two different customers at actually different profits to the shoe dealer, yet their retail price to both must be the same. In one case the purchaser may make a quick selection, pay cash, be satisfied, and never return for an adjustment. In the other, the purchaser may consume considerable time in fitting and deciding upon the shoe, have the purchase charged to his account with the store, and later return dissatisfied with the shoes and ask that they be exchanged for another pair, stretched or otherwise altered to suit his foot, or perhaps he may never pay his bill at all. In the first place, the dealer has actually realized a satisfactory profit. In the latter he may have actually suffered a total loss on the sale; yet in both the price to the purchaser must be fixed in advance of the sales and must be equal. This rule likewise applies to good and poor bank loans.

These same conditions as frequently apply to the sale of trust services as they do to the sale of merchandise. It is a case of the profitable trusts helping to carry the unprofitable ones, and the fees must be high enough to obtain a reasonable average profit on all of them.

Trust Fees Abnormally Low

PRICES for other types of services, commodities and money fluctuate widely, often and mostly upwards with public acquiescence, largely because labor costs have increased. Why do we exclude trust services from these economic changes? It cannot be for long. We must conform to them if we wish to survive and our customers are to continue to be efficiently served.

A schedule of fixed fees may take the status of either minimum fees or exact fees. Frankly, I believe the latter is more desirable. Every element of cost in the service must be weighed as carefully and fixed as definitely as possible. To this should be added a percentage

to cover unknown future contingencies of all kinds; and lastly should be added the profit which the trustee deems reasonable and necessary to obtain on its business. There will then be no future haggling or bargaining with heirs over the fee to be charged for any given service or over any fixed period. There can be no litigation over the question of the adequacy and justness of the charge.

Courts will be bound by the agreed charges the same as they are bound by the other specific terms of the trust. The whole matter of fees, from the inception of the trust to its conclusion, will be fixed and charged on a basis which will be reasonably satisfactory throughout, and with little friction and future trouble to all interested parties, and at a minimum of accounting details and expense.

Split Fees Are Mistake

A PRINCIPLE almost as basic as the agreed fee itself is the policy not to split fees with co-executors and co-trustees. More often than otherwise the controlling purpose of joining an individual with a corporate trustee is to cause the latter thereby to divide its fees with someone beneficially interested in the trust and thus indirectly obtain a reduction of the corporate trustee's regular charges. It is a mistaken policy to thus divide fees.

Actually the duties and responsibilities of the corporate co-trustee are increased rather than diminished. It is forced to confer with and obtain the consent of its co-fiduciary in all important transactions and many administrative details. This merely adds to the volume of its duties and often interferes with the smooth working of its administrative organization. Its liabilities are not decreased, for in most states each trustee is liable for the misconduct of the other. It is a fixed policy of the bank with which I am associated not to split or reduce its fees in such cases. Scarcely any loss of business is traceable to this policy.

On the contrary, we have found little or no opposition to it. If a testator or trustor desires to associate a relative or close business friend with the management of his affairs for personal reasons, he may do so, but not at the expense of the corporate trustee to whom everyone is looking for the real service and responsibility required.

Community, state-wide and even nation-wide standardization of fees for many types of trust service is not only highly desirable, but entirely feasible. It should cost relatively the same to administer $100,000 under a voluntary or living trust of substantially equal terms and conditions by a well organized trust company functioning at either Los Angeles, Seattle, Chicago, Boston, New York, Philadelphia or New Orleans. Most of the elements making up the cost of such services will be the same in any of these widely separated areas, yet the specific fees for handling such a trust by representative companies in each of these places may, and in most cases do, differ widely as to method of computation and as to total cost to the trust.

No Price Fixing Plan

THIS suggestion conveys absolutely no thought of a combination or agreement as to prices or price fixing on the part of the trust companies. Such is farthest from thought. It does mean, however, that this country-wide lack of standardization of trust fees for the same class of service is definite proof that a lot of guessing is being indulged in or that the public is being overcharged by some companies and undercharged by others, or possibly a little of both by all of them. The public generally will be justly suspicious of all of us, and we will confess a lack of confidence in our own schedules and business practices unless and until we can come to some common agreement as to the cost of our service and some uniformity in fixing our fees for it.

Once sound and fair schedules of fees are adopted they should be as strictly adhered to by all companies actively engaged in the business within a competitive area as the trust business permits. Nothing can be more disastrous to the cause of these companies before the public nor more surely tear down their administrative efficiency and, probably, ultimately their financial solvency, than frequent "fee-cutting" below a sound economic point.

Trusts are actually of long duration. If the fee quoted at their inception is too low or on the border line of profit and loss, the company has assumed a long-term liability which in the aggregate will surely force a lowering of its administrative efficiency or force some other profitable activity to carry the trust department, or if persisted in long and frequently enough may result in a serious impairment of its capital structure. It is beneficial both for the public and for the companies themselves that there should be the keenest of competition between trust companies, but this competition should be confined to service which they respectively sell and render to the public. There should be a minimum of competition in the prices for which this service is rendered, if such prices are justly and intelligently fixed.

Eastern Fees Too Low

THE specific schedules of fees in effect in most of the eastern states are, in my judgment, too low. It is not difficult to foresee, from the opinions of well known and competent trust officers concerning them, that they will tend to increase. This increase will come more slowly in the statutory schedules than it will in the agreed schedules. The sentiment of many of the outstanding eastern trust officers shows a distinct drift in two directions:

1. That annual fee schedules, like the present acceptance and closing charges, will be based largely if not wholly upon a percentage of the principal or corpus of the trust estate rather than upon a percentage of the income, as now commonly exists. 2. That present rates will be substantially increased and more nearly equal those now in successful use in the western part of the United States.

It is conceivable that this plan of charging will be carried, as far as possible, although doubtless slowly, into all statutory fee schedules.

Charges for trust company services under corporate bond issues should drift toward a much needed simplification of schedules and be based largely if not exclusively upon the authorized, or possibly outstanding, issue of bonds. Corporate fees for the transfer and registration of stocks seem to be universally as simple, adequate and scientific as we can now expect them to be, and significantly similar or standardized in all active trust company centers.

The ever increasing volume of our business and the effecting of many administrative economies may be expected to offset in a degree, but not wholly, the inevitably increasing cost of servicing our long-term trusts. But if our responsibilities and work increase in the future in the same ratio as they have in the past we cannot expect our present schedule of fees to remain always adequate. They must be raised now and continue to remain flexible enough to meet our ever mounting costs of doing business.

Interesting suggestions have been made for the quotation of fees on a current basis and not for the duration of the trust. Yet it would seem to me that any schedule of fees which actually is to be changed and adjusted in each trust with the ever changing cost of servicing them has the same basic objections and weaknesses as the "reasonable" fee and is predicated upon the ascertainment of that elusive factor known as the cost per unit of trust company service. Schedules of fees may be and should be charged currently as the facts and our experience justify the need for such change, but when once quoted and carried into a trust it is best that, for its entire duration, they remain the fixed and unchangeable charges to be imposed upon that trust.

While there seems to be need for

(*Continued on page* 912)

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By MAX WINKLER
Vice-President, Bertron, Griscom & Co., Inc., New York

Expected Interesting Developments in International Finance. Present Condition of Bond Market Compared with Conditions Which Preceded Sale of $110,000,000 of Reparations Bonds. Issue May Mark Start of New Era of Large Loans Abroad.

THE stage is being set for the reparations loan. Issues which are now being arranged in behalf of Germany—whether it be the government, a state, a municipality or a corporation—are so set up and so priced as to appeal very strongly to the American public. When the German currency ceased to exist as a medium of exchange, Germany gave us sugar bonds and wheat bonds; rye loans and barley loans; potash bonds and loans payable in kilowatt hours.

On Feb. 4 the Reichsbank reduced the official discount rate to 6 per cent, the second reduction within less than a month, and comparing with 7 per cent at the beginning of the current year. Bankers' acceptances are now quoted at the lowest levels prevailing during the last five years. With the Reichsbank rate so far out of line with the open market rates, a further reduction is expected. The lowering of the rate by other important money centers is also a factor, the importance of which should not be underestimated, especially since such step is doubtless one of the many methods devised or employed to pave the way for coming interesting developments in the field of international finance.

Strength of the European Markets

THE strength—interrupted, of course, from time to time—displayed by European securities markets within the past few weeks has not gone by unnoticed. Not only has Berlin been advancing, but London and Paris, too, have shown greater activity and more impressive strength than they have for some time. Other markets followed suit, and Brussels and Amsterdam, Zurich and Milan, Prague and Budapest were also characterized by a material advance in the price of leading shares.

The conference at The Hague has been a success and the Young plan has just been accepted by the Reichstag with an overwhelming majority. The Bank for International Settlements will be established in the very near future, probably by April 1, and an American will in all likelihood head the institution. An analysis made of the operations of the bank, whose directorate and management will comprise the foremost financial brains of the world and not merely of any one country, indicates that it may reasonably be expected to earn a profit of 14 per cent on its subscribed capital exclusive of profits accruing through the handling of German reparations bonds. Although it is expected that a public offering of shares will be made in the various markets, including New York, the issue will beyond doubt be oversubscribed long before the subscription books will open. The demand for shares will be so great and the allotment so small that the desire for German issues may increase correspondingly.

It will probably be under the auspices of the bank that the reparations mobilizations loan will be underwritten. The first series of the bonds is expected to amount to RM1,200,000,000, or about $300,000,000, and may be offered within the next three months, probably early in May. Of the total not more than one-quarter may be offered in the American market, with the bulk of the balance probably reserved for the French market, which is gradually regaining the prewar position as international financial center.

Fixed Income Securities Market

ONE of the principal obstacles to the successful flotation of the Young loan is the present condition in the market for fixed income bearing securities in general and foreign issues in particular. As things stand at the moment, it would be practically impossible for banking houses to underwrite and successfully market new loans. In addition, the price of already existing issues is so low as to render it prohibitive for foreign borrowers to seek financial accommodations. However, the bond market in the course of 1924, during the period which preceded the sale in this market of $110,000,000 of reparations bonds, was considerably worse than it is today. Prices of European issues were clearly indicative of the chaotic condition in the old world and the American investor wrongly or rightly regarded the prevailing quotations as true reflectors of Europe's state of affairs. His confidence in the recuperative power of the world in general, and of Europe in particular, was lacking. It required courage to buy a European bond, to say nothing of the courage required to float a European issue. Quotations at that time on the New York Stock Exchange of some of the better known European issues should be of interest:

Issue	Price
Austrian Guaranteed 7s	85¼
Belgian 8s	97
Czechoslovak 8s	94
French 8s	92½
French 7½s	90½
Bordeaux 6s	87
Soissons 6s	76
Hungarian 7½s	87
Jugo-Slavian 8s	63¼

However, the banking house called upon to work out the details in connection with the flotation of the Dawes loan performed its task magnificently. President Coolidge, in an address before the members of the Associated Press, made the following significant remarks:

Mr. Coolidge's Help

"I TRUST that private American capital will be willing to participate in advancing this loan. . . . It will benefit our trade and commerce, and we especially hope that it will provide a larger market for our agricultural production. . . . Besides this, there is the humanitarian requirement, which carries such a strong appeal, and the knowledge that out of our abundance it is our duty to help where help will be used for meeting just requirements and the promotion of a peaceful purpose."

Of even greater importance, however, than the universal recommendation of the

(*Continued on page* 918)

Errors in Making Farm Loans

By E. C. APPERSON
President, United States National Bank, McMinnville, Oregon

New Conditions Are Prevailing in the Farm Mortgage Business Necessitating Greater Care With Farm Credits. Fear of Competition Leads to Undesirable Loans and Increases Losses. Too Liberal Loans Not Good for Farming or Any Other Business.

WE learn by trial and error. In considering and granting farm loans there are five common errors:

First. By failure to impress upon the borrower the need and necessity of arranging his farm business upon a budget basis.

Second. In granting too liberal loans on a long-time basis.

Third. By permitting the renewal of such loans and increasing the amount of the principal by the addition of the interest, taxes and even current living expenses.

Fourth. By our failure to encourage or assist the farmer in diversifying his farming so that he will have a definite proportion of his income available quarterly or semi-annually to meet his requirements.

Fifth. In attempting to carry in our current bills receivable loans to farmers for the purchase of land or equipment, payment of which we cannot expect from the proceeds of their crops within a reasonable period of time. Non-liquidating farm loans should be made from our savings department and adequately secured.

These are the conditions applicable to western Oregon and the Willamette Valley in particular.

Another fault bankers are subject to is the failure to require compensating balances in connection with loans granted to either the landowner or tenant. How many of the bankers in country districts consider the equity the wife has by reason of her dower or community property interest? In Oregon the wife must sign either mortgage or deed to relinquish or convey such interest. Why, then, should she not sign with the husband on bank loans when such loans are based largely upon real estate holdings? Her interest has priority over unsecured indebtedness.

How many bankers give sufficient consideration to statutory exemptions? In Oregon a homestead consisting of not to exceed 160 acres, together with several hundred dollars worth of personal property, is exempt. In case of bankruptcy the bank or other creditors must compensate the owner to the extent of $3,000 for his 160 acres of land, together with a reasonable amount for his personal property, before they can avail themselves of these items as an asset for the payment of obligations.

The time has passed when a banker can make a loan to a farmer, permit the addition of the interest, taxes and current living expenses to the principal and then have the farmer procure such loan from a Federal farm association, life insurance company or other loaning agency to pay the banker. When our Government permitted the establishment of Federal Farm Land Bank Loans were freely made and banks were relieved of a considerable amount of long-time farm loans, which the farmers procured from these agencies at lower rates. When the life insurance companies entered the field, they also granted farm loans at lower rates upon a higher valuation than could elsewhere be secured.

These conditions, however, now cease to exist. Representatives of farmers appeared before the secretary of agriculture, protesting against reduction of principal and increase of rate on renewals from life insurance companies and asking his cooperation in their behalf. It was suggested that due to low prices on farm products the farmers were in no condition to reduce their loans or to pay high rates of interest. There may be some merit in such a recommendation but the lower appraisal of farms precludes their getting the money from these companies, while the higher rate lessens their desire to do so. It is the duty of bankers to discourage the granting of excess loans and to encourage diversification of farming, the budgeting of farm accounts and payment of all fixed charges against farming, to the end that the farmers' indebtedness may be reduced rather than increased.

A large acreage in our territory, as well as elsewhere, is cultivated by tenants, to whom we also make loans upon the basis of their personal holdings or their interest in the crop, with especial emphasis on the moral risk. Landowners are usually exacting terms from these tenants which, in effect, make them prefer creditors. This places the bank in a position similar to that of a second mortgage holder. When bankers are called upon to finance a tenant, it would be well to require some consideration from the landowner with respect to such loans.

Most of our troubles may be summed up in one brief phrase—fear of competition, due to too many banks. In giving consideration to farm loans, as well as other loans, we fear that if we do not meet the borrower's requirements he will go across the street, around the corner or to a bank in some neighboring town and express his willingness to transfer his banking business if a loan is granted him. In considering such an application, we have been inclined to think that possibly at some future time the farmer would sell his farm and have a considerable sum of money to deposit, rather than considering the loan on the basis of the statement and ability to pay. Over-competition between bankers is doing an injustice to the farmer, as well as increasing the losses of the banks. Too liberal loans are not advantageous to farming or any other business.

During the past few years business has been done more on an installment basis than ever before, often without regard as to how payments were to be made. This is particularly true in the case of purchasing farm machinery and equipment and when the banks have been called upon to carry such sale notes for retail dealers, it has developed in many cases into a rather embarrassing situation.

To overcome some of these questionable practices, we should have a friendly conference with the farmer, endeavoring to get him to budget his affairs and to diversify and rotate his farm operations, to the end that the proceeds from his dairy herd, wool, hay, seed or grain will be so distributed as to meet his current obligations with reasonable promptness.

We try to discourage an over-extension of credit either for the purchase of additional land, farm equipment, or other farm enterprises, and, when renewing, to require partial payment and reduction of the period of renewal. For example, if a banker has had a note for one year, reduce the period of renewal to six months, or, if it is a six months' obligation, re-

(*Continued on page* 900)

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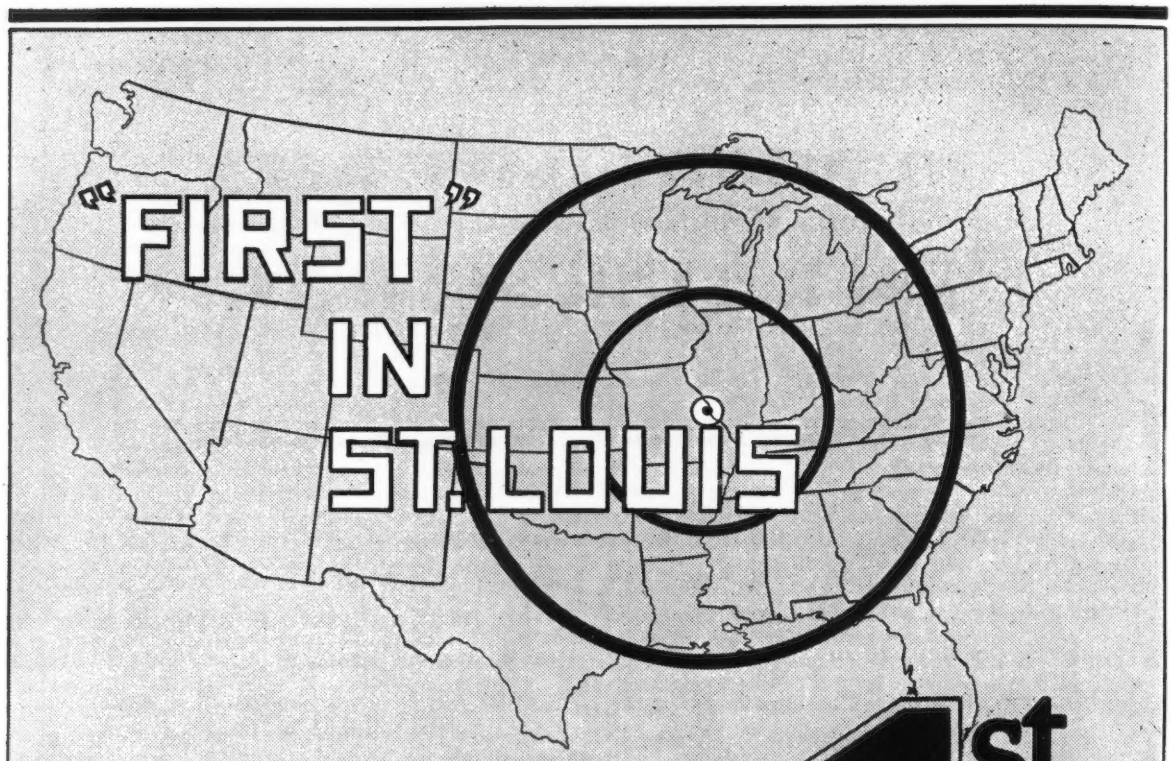
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Many New Ideas for Fiduciary Business

Impressive 1929 Record and Prospect of Future Growth Made Eleventh Mid-Winter Trust Companies Meeting Unusually Successful. Speakers Described Progress in Various Branches of Trust Service. Predict Expansion in Many New Fields of Action.

THE tremendous increase in volume of trust company operations during 1929 was reflected in a record-breaking attendance at the Eleventh Mid-Winter Trust Conference. Approximately 1100 leaders in this department of banking registered at the Hotel Commodore, New York, on Feb. 18, 19 and 20, compared with about 800 last year.

There were six formal sessions. The program of addresses was effectively arranged to look backward at progress in 1929, as well as forward to impending developments in the trust field. The result was, in the words of one trust official after adjournment, "something more than a conference—it was an international clearinghouse of new and valuable ideas in trust activities."

Sisson Describes Growth

FRANCIS H. SISSON, vice-president of the Guaranty Trust Company, New York, addressed the morning session on the first day of the conference, on the growth of fiduciary business. His remarks are published in another part of this month's JOURNAL.

A. F. Young, vice-president of the Guardian Trust Company, Cleveland, spoke on "Trust Profits with Honor." It was Mr. Young who served as chairman of the committee on review and survey of trust securities. This committee had charge of preparing a handbook of recommendations concerning investment policy, organization, equipment, procedure and records, recently distributed by the Trust Company Division.

Mr. Young said that the conference had listened each year to figures on the "simply staggering" growth of trust companies. The record proved, he said, that the business getters had done their task well, but in so doing had created "new problems for men who must administer this enormous volume of new trust business."

Can Be Mutually Helpful

THE address was supplemented by a folder containing a trust organization chart and accounting forms, designed to meet the requirements for handling personal trusts. Copies were distributed to each person at the session. By referring to the folder Mr. Young was able to describe in graphic terms the four main divisions: executive, administrative, service and operating. In the course of his address he also gave voice to the cooperative spirit that animated the conference when, speaking of the chart and forms, he said:

"We do not want them guarded as a secret formula, because we know that anything we contribute to make other trust departments operate more efficiently will in the end benefit us, too."

Gilbert T. Stephenson, vice-president of the Equitable Trust Company, Wilmington, Del., whose address appears elsewhere, spoke on the importance of "Getting the Right Start in the Trust Field."

John C. Mechem, vice-president of the First Union Trust and Savings Bank, Chicago, and President of the Trust Company Division, presided at the opening session.

At the second session, Tuesday afternoon, Feb. 18, C. Alison Scully, vice-president of the Bank of Manhattan Trust Company, New York, spoke on "Sound Practice and Procedure in Handling the Insurance Trust." His presentation is also published elsewhere in this issue.

Two other addresses were given at this session, one by Charles E. Clark, Dean of Yale University School of Law, and the other by John J. Graeber, Jr., vice-president of the Equitable Trust Company, New York. Dean Clark is chairman of a committee which is seeking to evolve a "uniform principal and income act," which later will be submitted to legislatures throughout the country in the form of recommendations. He described two tentative drafts already completed and said that another would be ready within a few months.

Estate Analysis Worth While

MR. GRAEBER'S address concerned "Organizing an Estate Analysis Service." He divided this subject into three parts: first, the reasons for estate analysis service; second, the methods employed, and third, the conclusions drawn from experience to date. His final conclusion, based on a series of well-supported arguments, was briefly that "the service of estate analysis is well worth the cost."

Presiding at the second session was Thomas C. Hennings, vice-president of the Mercantile-Commerce Bank and Trust Company, St. Louis. Mr. Hennings is Chairman of the Executive Committee of the Trust Company Division.

Joseph S. McCoy, United States Government Actuary, Treasury Department, Washington, D. C., made the first address of the third session, Wednesday morning, on "The Growing Field for Trust Service." Mr. McCoy cited the Treasury Department's records to show the growth in size of estates and salaries in the United States.

Channing H. Cox, vice-president of the First National Bank of Boston, then outlined to the session "How the Board of Directors Can Aid in the Development of Trust Business."

Vigilance Needed to Insure Revenue

"A DIRECTOR," he said, "can help his institution by satisfying himself at the close of each year that the departments of his bank, including the trust department, have been operated upon a proper charge basis. I know that a contrary theory is sometimes followed and that a new department is started without regard to what it costs, in the hope that eventually a sufficient volume of business may be developed, that somehow a profit may follow. The time to make sure that a trust department is making proper charges is all the time."

Roy R. Marquardt, assistant vice-president of the First Union Trust and Savings Bank, Chicago, discussed "The Scientific Classification of Trust Department Personnel," stressing the importance of keeping a watchful eye on manpower.

Colonel D. W. MacCormack, head of the receivership activities of the Irving Trust Company, New York, interestingly described the large-scale handling of receiverships, bankruptcies and other

liquidations by trust companies, a comparatively new venture in the trust field. His address will be found on another page of the JOURNAL. Gilbert T. Stephenson, as Vice-President of the Trust Company Division, presided at the third session.

The fourth session got under way in the afternoon with President Mechen in the chair. James H. Perkins, president of the City Bank Farmers' Trust Company, New York, spoke on "The Uniform Trust." His remarks are published elsewhere.

When to Buy Stocks

EDGAR LAWRENCE SMITH, president of the Irving Investors Management Company, New York, followed with an address on the "Problems of Investment Management." He discussed the difficulty involved in giving an investor the safety that bonds supply and at the same time satisfying his desire to participate in an advancing stock market.

"We have seen," he said, "that the problem to be dealt with is one of insurance—or insurance against loss in real capital values. The first problem deals with the proportion of a fund which should be in maturing obligations and the proportions which should be in equities or common stocks. These proportions will differ as financial and industrial conditions change, and the prices at which suitable investments of the two types may be had. It is important that there should be in the management organization someone competent to appraise in broad terms what these proportions should be at different times. And his appraisal should be based upon a study of past records, rather than upon intuition or hunch."

H. F. Wilson, Jr., vice-president of the Bankers Trust Company, New York, discussed "Common Stocks in Trust Accounts." "Some trustees are of the opinion that not over 10 per cent of the total fund should be invested at any one time in common stocks," he said, "but I have heard an opinion expressed by an eminent lawyer that one-third of the fund in common stocks would not be out of line."

Special Care Required

HE believes that trustees are justified in purchasing a small proportion of carefully selected common stocks for certain trust accounts if care and study show a company's position to be satisfactory as to earnings, management, asset position, the nature of the industry and prospects for the future.

The fourth session closed with a symposium on the same general topic, bonds versus common stocks, entitled "Our Policy with Respect to the Investment of Trust Funds in Common Stocks." The speakers were W. M. Baldwin, vice-president of the Union Trust Company, Cleveland; Leon M. Little, vice-president of the New England Trust Company, Boston; Joel H. Prescott, executive vice-president of the Union Trust Company, Detroit; Harold Eckhart, Harris Trust and Savings Bank, Chicago; F. N. Bancroft, trust officer of the Colorado National Bank, Denver; Ronald Ransom, vice-president of the Fulton National Bank, Atlanta, and Frank J. Brickwedel, vice-president of the Wells Fargo Bank and Union Trust Company, San Francisco.

There were four addresses during the fifth session on Thursday morning, presided over by R. M. Sims, vice-president of the American Trust Company, San Francisco. "Some Illustrations of the Practical Uses of Living Trusts," by Lane D. Webber, vice-president of the First National Trust and Savings Bank, San Diego, Cal., and "What Is Adequate Compensation for Trust Service?" by L. H. Roseberry, vice-president of the Security First National Bank, Los Angeles, are published elsewhere in this issue.

W. J. Kieferdorf, vice-president of the Bank of Italy National Trust and Savings Association, San Francisco, described the machinery of "Developing and Administering Trust Business in a Branch Banking System."

He said that highly satisfactory progress had been made in extending trust service to practically every one of the 293 branches of the Bank of Italy in 166 cities.

Rural Districts Need Trust Service

WITH reference to the benefits of branch trust service to non-metropolitan centers, he said:

"Before the advent of the branch bank giving trust service, rural communities were without trust serviee. The unit banks located there could not efficiently and profitably give such service. Grouped into districts under the district plan of administration, the clientele of contiguous rural communities can now be as effectively served as if the trust department were established in each community, and profitably, too; for the estates of decedents must be probated and the affairs of the living must be administered in the country as well as in the city; and wealthy agriculturists and prosperous small-town merchants have need of trust service as well as their brethren in the big cities."

He went on to describe the spread of the trust idea here and abroad, concluding his address with a prophetic paragraph:

"I look forward to the time, even though perhaps comparatively few years may yet be allotted to me, when the great branch banking institutions yet to come, of which the few now in existence are but the forerunners, located in every strategic financial center of our country, will not only disclose records as monumental as those that I have just quoted, but what is more important will give to finance a new dignity and a noble objective, offering to every community in our country, near and remote, the safe and dependable service of the corporate trustee and the ministrations of trust-minded bankers and sympathetic trust officers."

Education Begins at Home

FREDERICK R. BEHRENDS, vice-president of the California Trust Company, Los Angeles, put forward the idea that while advertising, soliciting and getting new trust business is important, there is a big educational job waiting to be done in the department itself.

"We have neglected," he said, "to educate our own employees and associates in the necessity for, and value of, the trust services of the modern corporate trustee." He described the actual steps taken in launching a special study and lecture course, conducted by the employees of the trust company for their mutual instruction. He pictured its steady growth into a thing of great and easily demonstrable value to the institution.

Gilbert T. Stephenson presided over the sixth and final session on Thursday afternoon, Feb. 20. P. D. Willcock, manager of the Midland Bank Executor and Trustee Company, Manchester, England, spoke on "Fiduciary Service as Performed by the Trust Corporations in England." He said that the relatively lower trust fees in England, compared with those in the United States, were supplemented by an arrangement whereunder the companies received a share in brokerage commissions on all purchases and sales of securities.

Should Earn 40 Per Cent

HENRY A. THEIS, vice-president of the Guaranty Trust Company, New York, discussed "What Earnings the Trust Department Should Show." He believed that attention should be directed to increasing earnings rather than to reducing expenses, and said that a trust department as a whole ought to show net earnings of more than 40 per cent on each gross dollar earned.

Mr. Theis supplied the results of a questionnaire designed to show the variations in percentage of net profits to gross income in trust company earnings throughout the country. Seven per

(*Continued on page* 899)

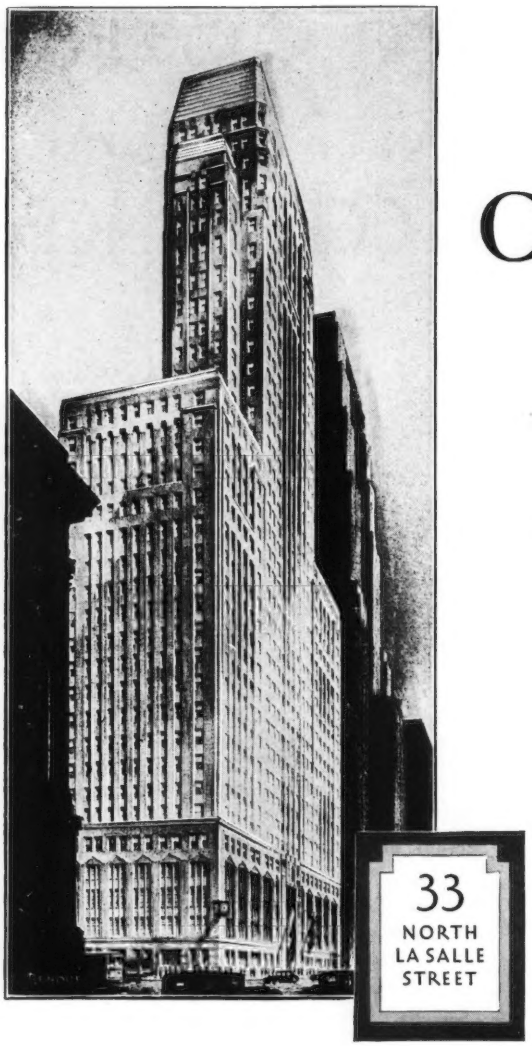
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Evaluating Common Stocks as Collateral

By H. G. PARKER
Vice-President, Standard Statistics Company, New York

The Increasing Demand on Banks for Loans Against Stocks Emphasizes Need of Dependable Yardstick for Determining Basic Value. Loaning Officers Should Be Able to Take Statistical Measure of an Issue Quickly and Accurately.

IN the main, those thousands of new investors who became security-minded during the past few years were not attracted to common stocks because they felt that the dividends offered a higher return than savings banks, time deposits or bonds. Their interest was aroused because of profits, apparent or real, which were brought about through price appreciation.

Many decided that it was good business for them to invest their savings in what to them was a new form of security. Moreover, there can be no business growth in any one line without the assistance of the credit which is furnished by our banking institutions. The next natural step was to appeal to their banks for additional credit to permit the extension of their operations along what they were convinced were sound lines.

Loans Hastily Negotiated

MANY bankers to whom a collateral loan for the purpose of financing the purchase or carrying of common stocks was previously an unknown function, very naturally felt obligated to go along with their clients in such a program. In too many cases these loans were made without either borrower or lender seriously considering how or when payment was to be made. Each party felt that, the security being adequate as to quality and supposedly highly marketable, it was unnecessary to discuss this question.

The depositor, naturally, was not interested in looking that far ahead, unless forced to do so. As one banker expressed it, they have not signed a promise "to pay" but "to renew." The first big expansion in these loans started when money rates were very low. The banker believed that a 6 per cent loan, supposedly highly liquid, was a very attractive investment for the bank. Investing money safely at better than average rates is a difficult task. When one can do that and at the same time render a service to the bank's most profitable accounts, he is a fortunate banker.

Neither party to the transaction doubted that it would be of mutual benefit. The safety of the loan was not questioned. Numerous public statements were issued by leading officers of stock exchanges and banks, which were interpreted as meaning that there "never had been a loss on any loan secured by New York Stock Exchange stocks."

Not in Class with Call Loans

WHAT these gentlemen meant was that there had never been a loss in the "call" or "street loans," which were made at the money desk of the New York Stock Exchange. Unfortunately, many bankers interpreted these statements in their own way. They felt that any loan made by themselves, secured by New York stocks and using a call loan form, would never give them cause for worry.

Officers of medium-sized banks interpreted bank laws, limiting "collateral loans" to 75 or 80 per cent of market value, as a yardstick for safety. Some bankers wishing to be "conservative," never loaned in excess of 70 per cent of the latest available quotation or sale price.

The same percentage of the last sale price was often used in making loans against all types of stocks. Those of speculative character were accorded the same treatment as stocks of our best-known and most conservative organizations. In but few banks was there any system for checking prices after the loans were made. A daily check seems absolutely essential.

The Danger Point

THE following simple system is used by some banks to check prices versus loans:

A card is prepared for each stock against which loans are made. Upon the granting of each individual loan the lending officer indicates to the clerk in charge of the file a "danger" price for this loan. This price is always somewhat below the then market price but above the loan value. The file clerk simply turns over to the lending officer each day those cards on which prices have reached this "danger" point. This system, with only slight additional clerical work, serves equally well in cases where mixed collateral is deposited.

Another advantage of this method is that it makes it possible to determine at any moment the number of shares of any one security against which the bank is lending.

In addition to advancing a high ratio against current prices of New York stocks, loans were made against Curb and other stocks which would not be accepted as collateral for "street loans" by the New York banks.

Caused Mutual Ill Feeling

DURING the stock market panic, our bankers had many unfortunate experiences with these same call loans. "Many were called but few were frozen."

There was complaint from both sides. The borrower felt that the banker had been very arbitrary if he had been called upon to furnish more collateral or permit the sale of his securities. The banker realized that these loans were not, by any means, as liquid as he had previously believed them to be.

As a natural result, there is now a considerable demand for a standard method of evaluating common stocks as bank collateral. The problem which confronts the loaning officer is to determine the amount which can safely be loaned on any one security at any particular price level. The easiest standardized loan limit would be the one so many have used, that is, a fixed per cent of latest quotation.

When conservative brokerage houses insist upon 40 per cent margins, as many do, expecting to employ part of their own capital and borrow the balance through "street loans," then if such a yardstick is to be used by the average

bank, it should be a much more conservative one.

The New York banks loan the broker only a portion of this balance and have, as additional security, his general credit. They are in constant touch with the security market. They insist upon the maintenance of adequate collateral. No ill will is created by strict enforcement of the bank's requirements.

Declines Varied Widely

LOANS are made at all stages of the market, but the bulk are placed when prices are approaching their peaks. Probably as severe a test period as will be experienced for some time to come occurred in October and November, 1929.

The fifty most active stocks on the New York Stock Exchange which accounted for about 50 per cent of total share volume for the year showed a decline from the average high in September to the average low in November of 56.9 per cent. The decline from the high average in October amounted to 49.4 per cent.

One of these previous market favorites declined 94.4 per cent from its peak price; two over 80 per cent; five between 75 and 80 per cent. On the other hand, only eleven of these fifty most active issues dropped less than 50 per cent from their high.

In order to determine whether a fixed percentage will prove to be satisfactory, we have examined the market action of several groups of stocks which happened on July 1, 1929, to be selling at somewhat similar prices. This check was made to see if there was any marked difference between the market action of stocks selling around $50, $100, $150 and $200 per share. In all groups the decline from the high average to the low average for the next six months was around 50 per cent.

But the loaning officer is not concerned with average conditions. He is dealing with specific stocks. It will be of interest, therefore, to note the extremes. If he used a fixed per cent basis he might have loaned about the same amount against any of the stocks in each price group.

Swept All Issues Down

FOX FILM dropped 81.9 per cent, National Bellas Hess showed a decline from the high to the low of 81.4 per cent, and Mullins Manufacturing 79.5 per cent. In one day, twenty-five New York Stock Exchange stocks showed declines from the last previous sale of from 62.5 per cent to 42.1 per cent. True, most of them were "dogs," but a few had previously been entitled to a fair investment rating.

While these data are limited, we believe they are sufficient to indicate that any loaning policy, based upon a uniform percentage of quotation, will either have to be set so low as to be useless, or abandoned altogether. Many of the stocks recording the most extreme declines were the market favorites of 1929.

Examination of the fifty stocks showing the greatest volume of share sales in the first six months of 1929 indicates that of the nine stocks (of this fifty) which showed the greatest per cent turnover relative to capitalization, five were among the first eight in percentage decline from their peaks in the last six months.

Four stocks, which ranged from forty-sixth to forty-ninth in point of turnover occupied the same numerical block (forty-six to forty-nine), merely switching positions with regard to their per cent decline when compared to the other fifty stocks. Several series of studies have been made in an attempt to find a formula by which it might be possible to roughly determine the value of individual common stocks as collateral.

Active Stocks Declined Most

THOSE stocks which showed the greatest per cent declines from their highs, in some cases sold at the lowest "yield" and highest "earnings ratio" at their peak prices. None of the stocks which showed less than average declines had registered such prices. The fact that four out of the six "greatest decline" stocks also showed the "greatest activity," and three of six "smallest declines" reported "least activity," is interesting.

Our national savings provide and limit the "natural" market for securities. Only a certain quantity can be bought and put into safe deposit boxes within a given period. When trading activity becomes abnormal in volume, it is a sure sign that purchases are being made "on credit." If volume continues to expand, an unstable list of holders is created, who in case of severe credit strain may be forced to liquidate. The foregoing digested data indicate that the adoption of any set formula for evaluating common stocks as collateral will be extremely difficult, if not impossible.

Base Loan on Amount of Deposit

THERE are distinct policies which perhaps merit serious consideration by loaning officers. One is to limit the amount of individual collateral loans to the normal amount, which each depositor's account justifies. The principal test should be the ability of the borrower to repay the loan within a fixed period. It would not be necessary, if this method were followed, to give quite so much consideration to the probable future selling prices of the collateral.

Collateral loans extended in amounts in excess of the normal borrowing capacity of the depositor are in reality capital loans. The function of a commercial bank is rather generally believed to be to furnish working capital—not permanent capital. Financing a depositor to the amount of his annual savings in the purchase of stocks at a time when equities appear attractive, is sound banking.

Some bankers, however, may either disagree as to the necessity for such a limited loaning policy or be unable to enforce it under present conditions. In that case it seems necessary that the loaning officer become a security analyst. Every stock offered as collateral must be carefully analyzed. The test, should perhaps be, whether the bank would like to own that stock, as an investment, at the loaning price.

Examine Issues Microscopically

THE factors which must be considered are: outlook for business, for a particular industry or company, management, earnings record, accounting methods, dividend record, debt, working capital, book value, marketability, activity and all the other data which enter into the appraisal of any common stock.

Many stocks listed on the New York Stock Exchange have no place in the loan envelope. Those on other exchanges should be scrutinized even more carefully. "One house market" stocks should be subjected to particular study. Special developments often justify refusal of all new loans against a certain stock and the calling of those outstanding. The loan value finally set will often appear to the borrower to be an arbitrary one. It cannot be otherwise. From the standpoint of both banker and borrower, the best price is the highest amount which is justified by the borrower's credit and the collateral. In the case of one stock the price may well be 20 times earnings and in another, twice. By the same token, a loan to one client may be greater than to another, even though secured by identical collateral.

In any attempt to set a specific loan value it is necessary to consider certain data. If these data are converted into price rather than percentages and ratios, the task is simplified. The following tables are therefore suggested, not as a formula, but as a useful statistical tool:

Suggested Yardsticks

1. Earnings per share, for several previous fiscal years (at least three years) multiplied by ten.
(If one is a believer in the "new era" idea

(*Continued on page* 903)



WHEN the First National Bank of Chicago was established, in 1863, it began to buy high grade bonds. It has bought them during the sixty-six years since that time in increasing volume.

The investment activities of the First National Bank and the First Union Trust and Savings Bank have been concentrated for years in the Bond Department of the latter bank. Through this department hundreds of millions of dollars of the banks' funds, as well as the funds of individuals, corporations, estates, banking institutions and insurance companies have been safely and profitably invested.

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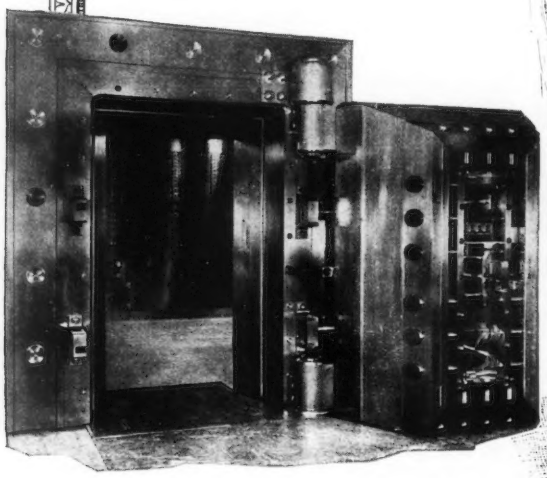
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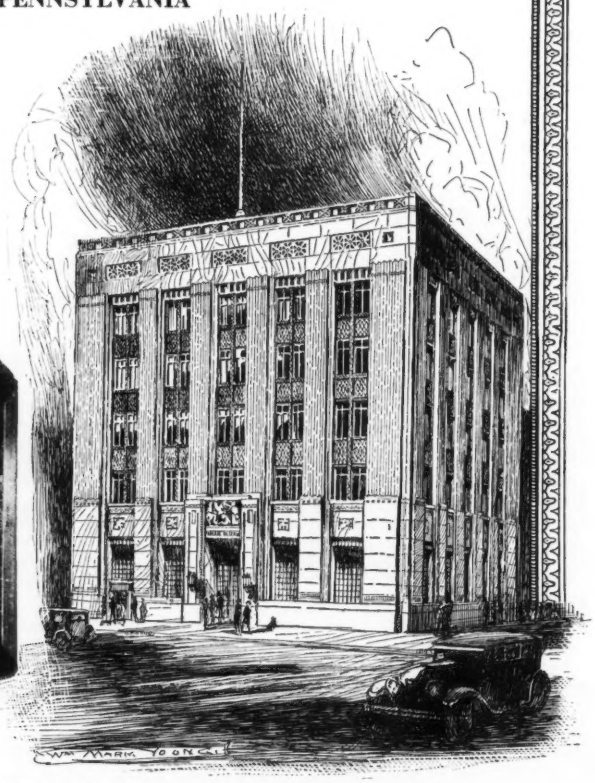
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TOKYO





Canada's Experience with Branch Banking

By MEREDITH F. FOSTER

Latitude of Canadian Law Enables Chartered Banks to Spread Their Risks Over Wide Territory Through Operation of Many Branches. Training of Expert Personnel Considered as One of the Outstanding Benefits Derived from the Dominion System.

THE administration of the branch banking system in Canada is centered in the head office. Under the personal supervision of the general manager and his staff the affairs of the entire network of branches are examined and recorded each day. At the moment's notice, important statistics covering the financial condition of the bank are available.

In other words, throughout this finely organized structure one is impressed by the uniformity of action emphasized by the bank officers. It can be well understood then how the shifting of funds, the prevention of panics, and creation of branches were treated by the general manager on the advice of the branch managers in all parts of the country.

Spreads the Risk

MOREOVER, by maintaining the system of branches throughout the country, the Canadian banks provide for the stabilization of credits and money rates. According to Sir Frederick Williams-Taylor, general manager of the Bank of Montreal: "The rate of interest on what is called savings accounts is 3 per cent throughout the whole Dominion, and the rate of interest charged on loans varies little, the difference seldom exceeding more than 2 per cent in the rates paid by the trader in some remote Atlantic fishing village, the rich merchant or manufacturer in a commercial centre, the lumberman, the miner, the farmer in the Northwest, or the tradesman in British Columbia.

Aided by the latitude of the Canadian banking law and the skillful supervision of trained experts, the chartered banks are enabled to spread their risks over a wide variety of territory and a wide variety of interests and activities. Nothing short of a general business depression, a money market collapse and a war would be sufficiently strong to tax the fortunes of Canadian banks.

Perhaps the most outstanding and useful service supplied by the chartered bank is the extension of banking facilities to the small, remote agricultural communities. The establishment of a branch or sub-agency in a small settlement brings new life and hope to the inhabitants of the surrounding countries.

Since 1870

IN this, the second of two articles, benefits accruing to the Dominion of Canada from its system of branch banking are described herein without losing sight of the peculiar requirements of the territory served. It also shows what is frequently lost sight of, namely, that the Canadian method means foreign as well as domestic branch banking, under an organic act fundamentally unchanged since 1870.

Pays a Favorable Rate

IN return for the use of the depositors' money, the bank pays a favorable rate of interest. Facilities for granting larger loans, purchasing of foreign and domestic exchange, and obtaining information relative to business, economic, and credit conditions in Canada and abroad complete the advantages accruing to the establishment of branches in hamlets, towns and cities.

Canadian trade, domestic and foreign, has been advancing by leaps and bounds, and has assumed no small part in the development of national prosperity which reached its peak in 1928. The chartered banks with their 3974 branches scattered throughout the Dominion, or one to every 2465 persons, are in a position to determine the condition and requirements of the country as a whole. This information is derived from two separate channels: the weekly financial statement and the weekly report on business, prepared by the branch manager of each office in the network. The financial statement shows the fluctuation in circulation, loans and deposits. The economic situation, covering such subjects as prices, movements of staple commodities, prospects of crops, commercial failures and local rates for money, domestic and foreign exchange, is outlined in the weekly report on business.

Apart from the value of the statistical reports to the parent bank, of major importance is the knowledge of the business conditions of Canada to the foreign industrialist seeking to establish branches or agencies within the country.

Avenues of Opportunity

FOR the twelve months ending June 30, 1929, Canada's foreign trade amounted to $2,662,800,000, reflecting a per capita value of $272. Year after year there has been a steady increase in the per capita value of foreign trade, so that Canada today stands near the top of the ranking per capita foreign trade nations and threatens to become, if the trend of events is consistent, a rival of New Zealand. Coincident with the expansion in foreign trade there has been a pronounced tendency ever since the beginning of the century to increase the number of foreign branch banks. At the present time 188 offices of Canadian banks are operating abroad.

A contributing factor to the successful administration of the foreign branches is the ability of the Canadian banking system to adapt itself to foreign customs and traditions. Much credit for this feature is due to the dual interests common to the cosmopolitanism of Montreal, headquarters for at least two head offices possessing extensive foreign bank-

(*Continued on page* 901)

Thinking in Figures

By HOWARD W. HAINES
Cashier, The First State Bank, Kansas City, Kansas

Form for Ready Reckoning of Float Makes Possible a Prompt Analysis of Accounts of Any Size. System Devised Which Can Be Used in Any Bank. Plan Helps Customers Visualize Costs. Some Good Balances May Reveal Very Surprising Net Figures.

THE American public has always looked upon the banker as a golden magician—a skillful and mysterious manipulator of money. Bankers have been, and still are, expected to do some stunts in multiplying and production that far surpass anything Hermann, Keller, or Houdini ever attempted.

In the past there has been little or no effort to curtail this theory. If our customers believed we carried a magic wand with uncanny powers in our breast pocket we had no objection, as long as they admitted at the same time we were honest, shrewd and cool-headed business men. In fact, the atmosphere arising from such an awe-infected public has been flattering, to say the least.

Logic and Wisdom

SO we have gone along placidly until today, when, suddenly, reaching the top of the foothills of development we catch a glimpse of that higher sunlit vista—a vast new era in banking. Looking up, we see clearly before us the greater bank with broader theories and better service.

Simultaneously it is our desire to improve all departments, to put away our false theories of the past, so that profits may be increased. One of the first things we realize is that we cannot go on playing the part of a magic money-maker. Under our new arrangements it is necessary to get a little closer to our public; to show our people how to conserve and to cooperate with us, so they in turn may profit by this new and better page of bank history we are about to enact.

In short, we will call our depositors in, when necessary, and explain to them carefully just how we operate and how our profits are made. The information impresses them more completely with our logic, our wisdom, and the soundness of our institution.

Ten To One

IT is with the above thoughts in mind that we furnish a second rapid and comprehensive method for analyzing bank accounts. It has two distinct values:

First, under this method any banker may quickly arrive at the profit or loss on any account.
Second, copies may be placed in the hands of any customer, who, in most cases, will readily understand it.

Try it! Ten to one, your customer will say:

"This is the first time it has occurred to me that every check I write costs the bank 3 cents or more. I'm going to tell my wife about this, too! She writes a bunch of little checks ranging from 25 cents to $1.68. I'll tell her to draw out $10 after this and spend it."

Suppose every one of your customers decided to do that! How much would it save your bank in a year? The answer is the reason bankers in all states are taking special steps to teach their customers the actual facts on the banker's side of the fence.

In the majority of banks any system

(*Continued on page* 909)

The Rapid Monthly Analysis Sheet

Account Of: A. GOODWIN,

February, 1930.

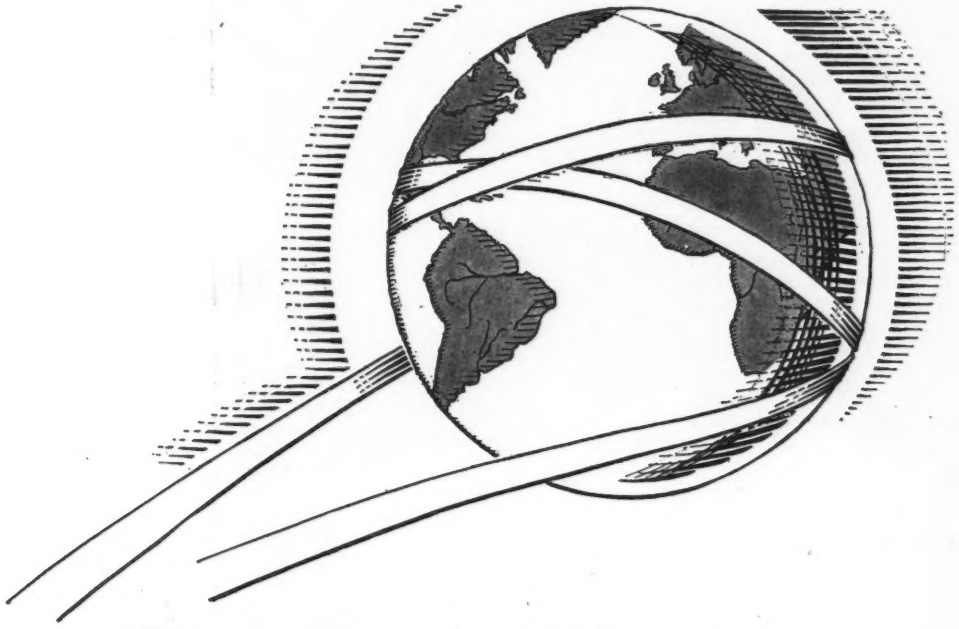
DATE	AMOUNT OF CHECKS IN DAILY DEPOSIT	DAYS REQUIRED TO COLLECT	ONE DAYS FLOAT	NUMBER OF ITEMS
25	$100.	2	$200.	3
26				
27	75.	3	225.	1
28	216.	2	432.	4
29	142.	—	—	2
30				
31	236.	3	708.	3
1	248.	2	496.	4
2				
3	83.	3	249.	1
4				
5	220.	1	220.	
6				
7	127.	1	127.	3
8				
9				
10	191.	3	573.	4
11				
12				
13	69.	2	138.	3
14	10.	1	10.	1
15	133.	4	532.	2
16				
17				
18				
19	218.	3	654.	3
20				
21	455.	2	910.	6
22	224.	2	448.	7
23				
24				
		30	$5922.	52

Average Daily Float . . . $197.

SUMMARY

Average daily ledger balance		$1,200.00
Average daily float		197.00
Collected balance (or deficit)		$1,003.00
Less reserve 25 per cent (plus in case of deficit)		400.00
Net loanable balance		$603.00
Profit (or loss) on loanable balance @ 5 per cent for thirty days		2.51
LESS COST OF:		
Clearing 52 items @ 3c. each	$1.56	
Posting 35 items @ 3c. each	1.05	2.61
NET LOSS		—.10

Change reserve, interest, or cost per item to suit your bank



Practical aids to correspondent banks

1 *Foreign Facilities*—Through our branches in London, Paris and Mexico City, through offices of a subsidiary company in Shanghai, Hongkong and Tientsin, and through our wide list of carefully chosen foreign correspondents, we can help you solve your problem of foreign trade and credit information, foreign exchange and foreign business trends.

2 *Personal Services*—At our main office, opposite the New York Stock Exchange, you will find our Correspondent Banks Department, where the expert and friendly counsel of our senior officers is always available to you. Here, too, a complete office is at your disposal to facilitate your urgent business transactions in New York.

3 *Secondary Reserves*—The three outstanding considerations when investing for secondary reserves are: security, salability, and yield. Because Short Term Notes form one of the most satisfactory types of investment for this purpose, we prepare a selected list at frequent intervals for our correspondents.

4 *Letters of Credit*—When your customers go abroad, arrange for them to travel with E. T. C. Letters of Credit. E. T. C. Letters of Credit, backed by the great Equitable system, will enable your clients to draw cash in eight thousand different places, all over the world.

5 *Travel Service*—Our Travel Service Bureau in Paris places its valuable experience at the disposal of our correspondent banks and their clients.

6 *Trust Facilities*—In addition to our well rounded Trust Service, for over two years we have specialized in the new and profitable field of Life Insurance Trusts and will gladly share our knowledge of tried and successful methods with our correspondents.

Check the items on which you would like additional information, and mail today.

The Correspondent Banks Department of

The Equitable Trust Company

OF NEW YORK

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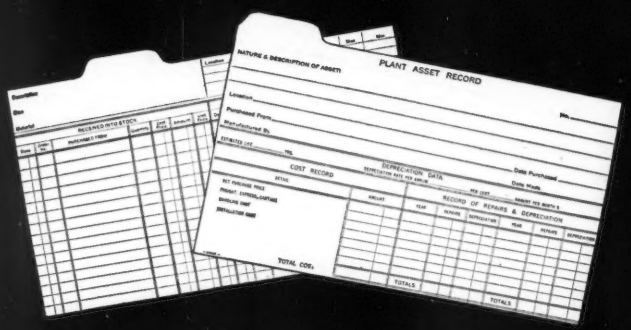
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3 Purchase of large orders of supplies and forms (in order to obtain quantity prices) when only a minimum quantity is ever used.

4 Purchase of special or made to order articles when less expensive stock goods could be used.

5 Purchase of large quantities of forms that will soon become obsolete and eventually a dead loss.

6 Lack of proper storage facilities, which results in large losses from handling and exposure.

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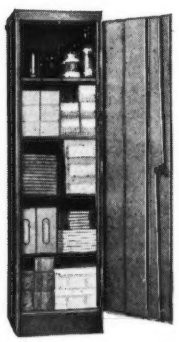
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Is It Wise to Urge Savings Depositors to Buy Securities?

By D. W. HOGAN
President, Farmers National Bank of Oklahoma City

A SAVINGS department is maintained solely for profit. There is a public demand for savings departments in commercial banks, a demand which in some communities is so shown that independent savings banks are organized. The total amount of savings in all the banks in the United States abundantly evidences this demand. Aside from commercial accounts, the savings department of the average commercial bank is its most important department. It is a common practice, usually considered sound and profitable, for banks to engage in extensive campaigns, expending much time and money in advertising that they may build up their savings departments and increase their deposits therein. In view of these facts, a policy to urge savings depositors to invest in securities offered by their bank is both unethical and economically unsound.

IT is not considered good business for a bank to sell its own securities to an estate which it is administering or acting as a guardian for. I can see no reason whatsoever why this principle should be waived in dealing with a depositor who depends solely on his banker for financial advice.

To urge savings depositors to invest in the bank's own securities is nothing less than putting a high-powered salesman on their trail and running them down. We see much expert salesmanship around the oil field when land-owning farmers get rich over night. Another scheme of stock salesmen is to watch the obituary column and interview widows who have come into possession of estates and life insurance funds. When a banker opens the way in selling his own securities, he makes it much easier for the undesirable security broker to do his work. It seems to me that if a banker is determined to sell his securities to savings depositors, it would at least show better taste to send his high-pressure salesmen to his competitors' customers.

A canvass of savings depositors will, in most cases, reveal a specific reason for each account. Perhaps the depositor anticipates the Christmas holidays, a trip to Europe, or the payment of a mortgage; a parent may be saving to send his boy or girl to college. In any of these cases it is not the desire for compounded interest that makes the account grow, but the definite purpose in the mind of the depositor who increases his account through self-denials.

IS it not reasonable that the savings depositor puts his money into the bank because he is not familiar with stocks and bonds? In the final analysis, what, in point of safety and liquidity, is better than a savings account in a good bank? Where could he get better returns on as quick an asset as a savings account? Where could he place an investment where he can add as small an amount as $1 and have it drawing interest almost immediately?

This is a progressive age and one of high efficiency. Rather than attempt to deplete the present effective savings system, would it not be better for the bankers to work out a sliding scale of interest rates which would fluctuate with the market?

IN interest rates, the Federal reserve banks follow the trend of supply and demand. Commercial or brokers' paper keeps pace with the market. Why, then, should not the rates of interest on savings do likewise? The present rates were fixed about forty years ago and have not been changed a fraction, even when Fourth 4¼ per cent Liberty Bonds were selling at 85. Think of the loyalty of savings customers in staying with their banks through such a crisis! Building and loan associations are the greatest competitors banks have, yet I have never heard of one attempting to sell its customers an individual loan. Is there any more reason why a bank should? What encouragement would the head of the savings department have in building up the business if another force in his bank was working constantly to tear it down?

Both state and national laws give banks a wide range of securities in which to invest the funds of savings accounts. It is the banker's duty to obtain investments yielding the best possible return, commensurate with safety. From this gross profit it would only be fair for him to deduct enough to cover the overhead and enough for a reasonable profit; the balance should go to the depositor for the use of his funds.

Bankers will fall short of their duty if they do not make the bank certificate of deposit and the savings pass book the best investment and the soundest security in the civilized world.

Have All Savings Accounts Verified

THE proper functioning of a qualified examining committee is a pivotal factor in any bank's ability to keep its house in order, says W. H. Hadlock, Utah State Bank Commissioner. Speaking before the Pacific Northwest Conference on Bank Management in Portland, Ore., he said:

"About three years ago, a shortage of approximately $13,000 was uncovered in one of our small country banks. One of the directors had adopted the policy of leaving with the cashier notes signed in blank, together with considerable security. When this director would go out on a buying trip one of these signed blank notes would be used to properly care for the total amount of his checks that would subsequently come in.

"The cashier had taken advantage of the situation and credited his own account with the proceeds of the director's notes which he had unrightfully charged into the loans and discounts. The greater part of the shortage, however, was carried in the 'outstanding time C/D account.' The cashier had deliberately entered on the bank's C/D record much smaller amounts than were shown by the outstanding time C/Ds themselves.

"NOW the president of this bank is a successful rancher and stockman. He spent some time each day advising with the cashier on the affairs of the bank, and knew the rating of most of the bank's customers. He also had time C/Ds issued to himself by the bank totalling more than the grand total outstanding, as reflected by the bank's records. As president of the bank, and as a member of the examining committee, he had failed to recognize a discrepancy in that particular account, although it was shown on the bank's statement each day. This case, for example, brings up the question of who are the best qualified members of your board of directors to properly serve as the examining committee.

"The examination should be commenced, unannounced, at the close of the day's business. A statement of the general condition of the bank may be taken from the general ledger and from this record all assets and liabilities accounts can be verified.

"There are two important parts to every examination which the examining committee should keep in mind: 1. The

(*Continued on page* 904)

New Books for Bankers

FEDERAL BANKING LAWS. By John Edson Brady of the New York Bar. Published by the Brady Publishing Company, New York, 246 pages. Price $3.50.

This volume includes Federal banking statutes with amendments to January 1, 1930, the National Bank Act, the Federal Reserve Act, the Clayton Act of October 15, 1914, dealing with interlocking bank directors and officers, the Edge Act of December 24, 1919, regulating the organization of corporations engaged in foreign banking and the McFadden Act of February 25, 1927, authorizing national banks to establish branches and making other important changes in the Federal banking laws.

The titles of the six chapters are the Comptroller of the Currency, National Banks, Federal Reserve System, Taxation, Crimes and Offenses and Foreign Banking.

The book is a pocket sized volume and is published under the auspices of the Banking Law Journal, New York City.

FACTS TO CONSIDER IN WORKING OUT MERGERS. By A. D. Berning. A pamphlet.

This is a reprint of a paper presented before the autumn convention of the American Management Association. It discusses six fundamental factors to be considered in negotiating a merger: (1) Economies and legal soundness, (2) Management, (3) Financial position, (4) Earning power, (5) Formula or plan of merger and (6) Launching the merged business.

HOW OLD AM I FINANCIALLY? By Charles Mills deForest, managing director of the American Provident Society. Published by the American Provident Corporation of New York. 169 pages including numerous pages reserved for records and budgets of individual expenses. Price $3.00.

This is the first volume to be sponsored by the American Provident Society, a group recently organized on a non-profit basis for the promotion of thrift. It is divided into two parts. The first comprises eleven chapters written in non-technical language and designed to explain the art of saving and the results that can be achieved.

The second part consists of schedules and financial records with a message to parents and "special instructions for boys and girls."

Mr. deForest says, in an announcement accompanying the publication: "The society is organized purely for educational purposes. In the whole history of social service, this is the first organization, open to public membership, formed to teach personal economics. It will not receive deposits, place investments or sell insurance. Its work is to disseminate thrift publications for American homes and earners, and through devices of organization to add what educators in our group call 'indirect motivation' for the practice of thrift."

A HANDBOOK FOR THE REVIEW AND SURVEY OF TRUST SECURITIES. Prepared by the Trust Company Division, American Bankers Association. 46 pages.

The Trust Company Division of the American Bankers Association is sending one copy of this handbook to each active trust department of all member banks and trust companies. Additional copies, bound in durable Old Spanish leather paper, lettered in gold, can be obtained for $2.00 apiece by writing to the Secretary, Trust Company Division.

The handbook contains recommendations to trust departments on investment policy, organization, equipment, procedure and records. It includes thirty-four sample forms covering all phases of trust department activity.

A foreword by John C. Mechem, President of the Trust Company Division, says that the assembling of this material represents several years of study on the part of the committee on review and survey of trust securities but that the handbook is largely the work of the Chairman, A. F. Young.

MARKET DATA HANDBOOK OF UNITED STATES. By Paul P. Stewart of the Domestic Commerce Division, United States Department of Commerce. Published by the Government Printing Office, Washington, 533 pages. Price $2.50.

This handbook is the result of an effort to assemble for each of the 3,073 counties in the United States statistical facts indespensible to an appraisement of markets in the profitable distribution of goods. The material is organized so that it may be applied to specific market problems; the selection and interpretation of data in any particular case, however, must be done by the individual.

"Practically every business man will find something somewhere in the material which is of specific value to him", says O. P. Hopkins, of the Bureau of Foreign and Domestic Commerce.

THE STOCK MARKET CRASH AND AFTER. By Irving Fisher, Professor of Economics, Yale University. Published by the Macmillan Company, New York. 286 pages. Price $2.50.

Professor Fisher says that the stock market panic stands unique in the annals of finance but that explanations of it "now finding the greatest currency seem to me far too simple and naive." The volume contains twenty-five charts on stock prices, new financing, commodity prices, industrial production, labor disputes and other factors bearing on security price movements. After discussing the crash itself and the events immediately thereafter, Professor Fisher analyzes the chief economic developments of the era directly preceding the collapse.

PROMOTING NEW HOTELS. By W. I. Hamilton. Published by Harper & Brothers, New York. 154 pages. Price $2.50.

W. I. Hamilton wrote an article for the December JOURNAL in which he took the view that too many hotels were being built for reasons of civic pride instead of economic necessity. In his book he summarizes the findings of a survey conducted by a nationally representative group of hotel operators on behalf of the American Hotel Association. He cites facts and figures supporting the argument that "altogether too many hotel projects have been floated on an artificially created wave of enthusiasm rather than on a calm appeal to business sense."

QUESTIONED DOCUMENTS. By Albert S. Osborn. Published by the Boyd Printing Co., Albany, N. Y. 1,028 pages.

In this, the second edition of his work first published eighteen years ago, the author has brought up-to-date the methods of examination of questioned documents that have been developed with greater attention to the now widespread use of typewriters. The purpose of the book is to assist in the discovery and proof of facts in any investigation, or legal inquiry, involving the genuineness of a document.

CONDITIONAL SALES. By Roger Sherman Hoar, M.A., LL.B. Published by the Ronald Press Co., New York. 521 pages. Price $10.00.

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The Condition of Business

Recovery Continues Steadily Although Industrial Production Remains Below Level of Last Year. Retail Activity Is Fair. Banking Situation Strong and Money Rates Show Easy Trend. Security Prices Rise Moderately but Commodities are Weak.

WITH the approach of spring there is evidence of a seasonal gain in industrial activity to augment the natural recovery from the sharp slump that took place during the closing weeks of last year. The improvement is proceeding slowly, however, and the pace is still materially below that of a year ago as measured by the usual statistical barometers or by the performance of particular industries.

Retail trade is fair, while wholesale and jobbing distribution is lagging and reveals a predominant spirit of caution engendered both by the perplexed business outlook and the weakness in commodity prices. Opinion appears to be growing on the part of numerous banking and business leaders that the next step that should be taken to aid business in its recovery is a further lowering of Federal reserve bank rediscount rates.

Conditions Favor Cheap Money

BORROWINGS of member banks are at an unusually low point and the present situation, had it happened before the advent of the reserve system, would have resulted in banks of the principal cities having large surplus funds in their own vaults, which of course would bring the stimulant of cheap money rates. Undoubtedly the trend of interest rates the world over is still downward, and this is being reflected in improved bond prices. At the same time, stock prices are rising, but the cause is investment buying as contrasted with the wild speculation on borrowed money that took place last year.

So far as the outlook for business in general may be discerned at this date, there is no doubt that the convalescence is progressing at a moderate rate and should continue provided it is not prematurely forced by artificial measures, but most industries and trades will likely achieve a volume of sales and earnings short of the 1929 record. Weakness in commodity prices has been a retarding influence, and is a condition found not only in the United States but in numerous foreign countries, yet these movements always work themselves out and establish an equilibrium and stability, possibly on a lower basis, thus allowing business to again resume its normal gait.

Industrial Output Rising

SELDOM has there been such agreement among current business statistics as is found at the present time, with such well known barometers as bank clearings, railway car loadings, electric power production and the indexes of the Federal reserve banks and the statistical companies all testifying to the rising activity in industry and the fact that it is still materially below the same time of last year.

As to just how much it has recovered, and by how much it falls below 1929, the percentages are at variance depending on the particular statistical series selected and the weight accorded to the various elements.

With modern business so broad and diversified, the average business man has learned that a great deal of discrimination must be used in judging business activity. Instead of attempting to embrace all the factors of business in a single formula, which is quite impossible, he probably would be well advised to keep an eye on the various general indexes for what they are worth and give his principal attention to following in the greatest detail the particular line in which he is engaged.

Accurate Index Needed

OTHERWISE he is apt to be misled, as for example, in concluding from the exceptionally high rate of operations in the steel industry that business in general is equally good. Or by attempting, as one organization does, to have all the bulletins on business conditions read over and marking every statement with a "plus" or "minus" as to whether it is favorable or unfavorable, then adding up all the signs and getting a composite figure, that does not weigh the probability of a single important item that may determine the whole trend. Or by using figures for purposes other than those for which they are intended or adapted, such as the Bureau of Labor index of employment in manufacturing industries as a measure of general unemployment that should take into account all the merchandising, service and financial trades.

It is true that the steel industry has made an impressive recovery from the December low point, and that prices of finished steel and scrap are holding very firm, but a substantial portion of the business is on carry-over from last year, particularly railroad orders, while a considerable portion is for products manufactured in anticipation of seasonal demand that can only be definitely known later in the Spring, such as farm implements. Automobile production has speeded up from the practical suspension at the end of the year but is a long way behind the corresponding output of 1929.

Building operations are still quite low but authorities say that this does not yet give grounds for disappointment or for revising downward their estimates for the full year 1930, since it was expected that it would take some time for the recovery to get under way and the mortgage money market is just beginning to look normal again. Municipal and other projects are being carried forward in somewhat improved volume, but the heralding of this type of expenditure as the savior of business has inevitably been followed by the less pleasant realization that it will further increase the tax burden.

Reports on Retail Trade

REPORTS on retail trade coming from various sections of the country indicate that, like industry, it shows a tendency to expand slowly and irregularly, and in most lines is lagging considerably behind that of a year ago. Doubtless the unseasonably warm weather has hampered the clearance of winter stocks although it may start the sales of spring clothing. Among the comments are that the employment situation is still unsatisfactory, with many concerns operating only part time; that some manufacturers of apparel and shoes are curtailing; that there is great interest in the new automobiles but few sales; that building construction and materials are very quiet; that milder weather has affected the coal trade; that the decline in agricultural prices is darkening the prospects for sales in the farming sections.

Wholesale trade is reported to be even more sluggish than retail, for the weakness in commodity prices always deters merchants and manufacturers from making large commitments. On the other hand, the warmer weather has quickened some wholesale and jobbing lines, and the scarcity of large orders is partially offset by the frequency with which small orders

are repeated. As soon as the price structure definitely becomes stabilized, and a number of important commodities have made a sharp recovery in the last few days, buying may be expected to become freer. It is hardly surprising that a general feeling of caution should prevail until the business situation becomes more clearly defined.

Commodity Prices

DESPITE the decline in commodity prices in recent months, running up to 25 per cent or more in the case of some food products, it is important to note that some products have held relatively firm and a few are actually higher than at this time a year ago, as will be seen from the following table listing twenty-five important items. Prices are for cash sales in New York markets unless otherwise specified.

	March 1	
	1930	1929
Foodstuffs		
Wheat, No. 2 red	$1.36	$1.60⅛
Corn (new), No. 2 yel	1.03⅜	1.15¾
Rye, No. 2 white	0.84¼	1.25¼
Oats, No. 2 white	0.53½	0.63
Flour, std. Spr. pats	6.35	6.60
Coffee, No. 7 Rio	0.09¾	0.18¼
Sugar, granulated	0.0495	0.0490
Butter, cr. 92 score	0.34	0.51
Eggs, fresh 1st	0.25	0.47
Lard, Mid W	11.00	12.40
Pork, mess	30.00	29.50
Beef, family	28.50	31.00
Metals		
Iron, 2X Phila	22.26	22.26
Steel billets, Pitts	34.00	34.00
Lead	6.10	7.10
Copper	18.00	19.50
Zinc, E. St. L	5.15	6.35
Tin	37.625	49.875
Textiles		
Cotton, mid. upland	15.10	20.80
Printcloths (64-60)	0.06⅜	0.7½
Silk, crack doub. ext	4.52½	5.12½
Miscellaneous		
Rubber, spot	15.60	25.50
Hides, nat. steers	0.14	0.14½
Gasoline	0.123	0.17
Crude Oil, Mid-Con	1.11	1.11

It will, of course, take some time for these lower wholesale prices to be passed on to consumers. In foodstuffs, where the greatest decline has occurred, the large chain groceries are usually fairly prompt to revise their prices downward, but on many articles for which a standard price is charged, no change will be made. Food products that are distributed through chain restaurants and hotels, candy shops, bake shops, etc., are seldom marked down in selling price.

Money Rates Easier

COMMERCIAL banking rates for money continue easy with the tendency still downward in practically every classification—loans to customers, commercial paper, call loans, time loans and bankers' acceptances.

Federal reserve bank rates for rediscounts have been further reduced all around, the cuts in January by the banks of Philadelphia, Atlanta and San Francisco being followed in February by the banks of Richmond, New York, Chicago, Cleveland, Minneapolis, Dallas, St. Louis, Boston and Kansas City.

Real estate mortgage money is an exception, and has remained firm but should ease as time goes on and the savings banks, building and loan associations, insurance companies, title companies and investment banking firms increase the receipts from their investing clients and get themselves back into normal condition by replenishing their liquid reserves that have to be disposed of during the stock market crash.

Whether or not the Federal reserve banks reduce the rediscount rates still further is a question of policy, regarding which there is always a certain difference of opinion among bankers and among the reserve authorities themselves. The principal argument for lower rates is that they would act as a stimulant to business. A somewhat different view is held by many people (and this includes some of the highest authorities as evidenced by the very fact that rates have not already been cut further), who feel that the reserve banks should not be altering their rates frequently, that they should remain in the background rather than attempt to shift their position with every fluctuation in business activity. Advocates of having the reserve banks play a relatively inactive part in business point out that reduction in rates below a certain point is ineffective, and that a furniture manufacturer in Grand Rapids, for example, or a cotton merchant in Galveston, is not likely to launch a program of business expansion merely because he reads in the newspaper that the Federal reserve bank has reduced its rediscount rate, say, from 4 to 3½ per cent. To this the other side replies that cheap rates will give a salutary spurt to the stock and bond and mortgage markets, and that the policy of inaction by the reserve banks is really one of positive deflation, inasmuch as they now are the reservoir for all the surplus funds of banks throughout the country and therefore must take the initiative in putting credit back into circulation.

Strong Banking Position

THAT there is some merit in this last argument will be seen from the extremely low point to which borrowings of the member banks have been reduced at the present time. As the expanded portfolio of loans secured by stocks and bonds was reduced, and as the slowing down of business activity was reflected in lessened demands for accommodating industry and trade, banks have almost invariably used their extra funds to pay off their indebtedness to the reserve banks, and after that gone into the bond market to build up their holdings of investments which were so materially liquidated last year. Past experience has been repeated in the period through which we are passing, as can be seen from an examination of the weekly statements of condition for all reporting member banks.

The Bank Policy

ALTHOUGH there are various theories and general principles as to the proper proportion among the various items in a bank's assets—what percentage should be in loans and discounts, in the bond account, in bankers' acceptances, etc., it is difficult to find a bank, large or small, that actually carries this out in practice. Banking and investment policy is usually dictated by comparative rates and nothing else, assuming, of course, that the bank is in satisfactory condition and would not sacrifice safety for rates or pursue a policy that was obviously unconservative.

In other words, if a business customer requires accommodation, it can always be granted, even though the bank is obliged to rediscount at the Federal. If there is good profit in loans secured by stocks and bonds, they will be made freely and allowed to run along indefinitely. If there is a surplus of funds and an indebtedness at the Federal, it will be paid off and thus save interest charges. If there is an additional surplus, and the money outlook is for continued ease, the purchase of high grade bonds is attractive as offering the possibility of appreciation. If there is a surplus of funds at the moment, but a likelihood that later on demand will increase and rates become firmer, an investment in bankers' acceptances is an ideal placement, for it is short-term, liquid, safe, of definitely known yield and without danger of depreciation.

Of course, there are certain limits dictated by experience, but to attempt to fix definite percentages for the division of bank assets, prepared perhaps from composite statements of prior years, is an attempt to substitute theories of standardization in a business that is inherently a problem of adapting policy to the constant shifting of comparative rates and conditions.

Trend in New Financing

AMONG the numerous contrasts between the present "era" and the "new era" in finance that held sway last year, none is more striking than the transformation that has taken place in the nature of security offerings. In the period from January 1 through March 1, the total amount of new financing was $1,063,811,000, which compares with $1,394,754,000 in the first two months of 1929. Taken alone, these figures might be interpreted as an unhealthy sign, but if analyzed the reverse is true. Following is the segregation as between bonds of various classes and stocks:

(*Continued on page* 916)

A Practical Program

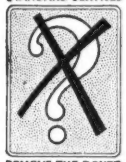
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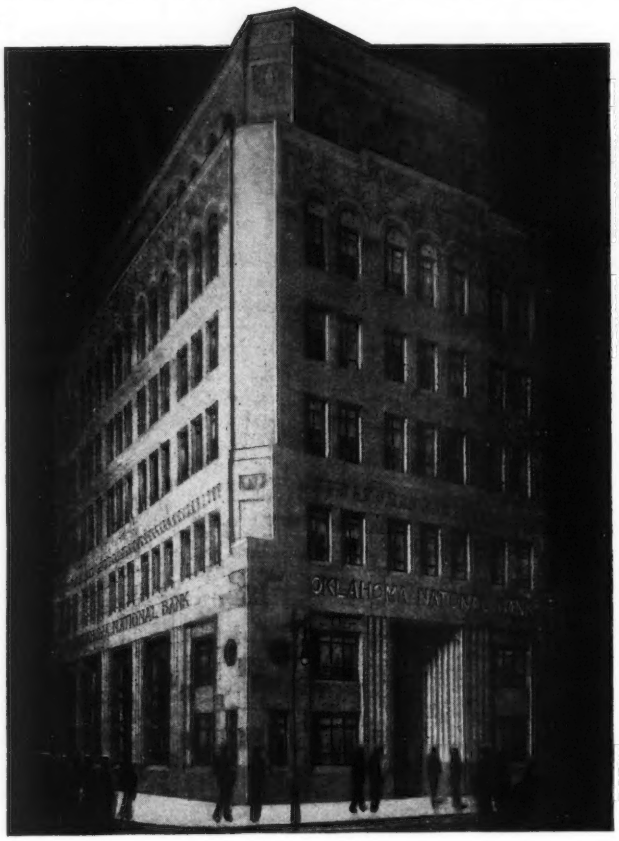
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Raiders of the Bank Account

(*Continued from page* 838)

especially if competition between those who make them becomes more and more keen. Just as long as bankers sit idly by and do nothing to offset these campaigns they will continue unabated, as there is no other field that is as responsive to the machinations of the schemers as savings departments in banks.

In view of the fact that bankers have after many years developed their business to its present state through earnest effort on their part and at great cost, and by methods that are above criticism, they owe it to their stockholders to go to the defense of this business against further loss, especially in those cases where it is being influenced by practices that are deceptive and manifestly unfair.

Each Must Do Its Part

IN making this statement I include commercial bankers as well, for it must not be overlooked that commercial deposits since 1920 have not held their own in comparison with savings deposits. No campaign against savings deposits can be successful without taking millions of dollars of commercial deposits with it. I know a few bankers will "pop up" and say deposits will always remain the same, the only difference being in whose name they stand. To those let me say, it is going to mean a whole lot more to banks to have their deposits well divided up among the thrifty class than to have them in the hands of a few people who obtained them by unscrupulous practices.

What if the Big Bust Mines Co. has an account in the bank? The chances are it's an account that has to be watched because of the reputation of its owners. What if a bank has the account of the Hot Air Oil Co.? Is it not more important to the bank that it save its good customers from falling victims to these high-pressure promoters than to have the accounts of these parasites? What if it has the account of any individual, firm or corporation who are exploiting its depositors? Is not the business of a lot of depositors worth more to the bank than an account of some promoter?

If bank deposits which for a hundred years have grown gradually in our banks are worth saving, let each bank do its part from today on, and supply an adequate service of advice for customers, in order that its depositors cease drawing their balances for investments which are unsound. As banks are unable to pay a higher rate of interest than they are now paying and retain their conservatism so essential to sound banking, there is but one way of meeting this competition. Let every bank inaugurate a campaign of education among its customers.

New Record

(*Continued from page* 839)

for only four reports: the number of times they have been named as executor or trustee under wills during the year, the number of $1,000,000 appointments, the number of insurance trusts obtained, and the amount of insurance covered by them.

The 1929 figures as to insurance trusts are, I may say, astounding, but they will be reported in detail later on by Mr. Scully.

Responses to the questionnaires this year were especially gratifying because of the substantial increase in the number of institutions reporting. About 1000 replies were received for each of the two previous surveys. This year there were nearly 1600 reports from banks and trust companies. There are approximately 3400 trust companies and banks that have active trust departments in the country. Hence, statistics covering the volume of business of less than half the active trust services are available thus far. But the response this year is highly encouraging and we may look forward eventually to an annual survey reflecting the results in practically the entire field.

Yet we are not forced to rely upon statistics for an appraisal of the speed with which the trust idea is taking hold. Almost every day the records of the probate courts reveal the appreciation of trust service that has been evidenced concretely by those who have won their way to wealth and fame.

"Trust Service Hall of Fame"

THERE is another significant phase to the growth of trust service which is not revealed in these statistics. If one were to look into the probate court records in the different parts of the country it would doubtless be a revelation to learn of the men and women, famous, wealthy, and distinguished in many fields of human endeavor, who have intrusted the settlement of their estates to trust institutions. If all of these appointments could be marshaled together they would indeed make an impressive "Trust Service Hall of Fame."

The roster would include powerful financiers whose wealth was measured in millions; big bankers and directors of giant corporations; famous artists and sculptors; inventors of renown, engineers and railroad presidents; educators, authors and playwrights; senators, congressmen and cabinet members; captains of industry, founders of huge enterprises, and leaders in almost every field of activity in the business world.

The business integrity and sound collective judgment which trust institutions bring to estate administration is gaining increasing recognition among business

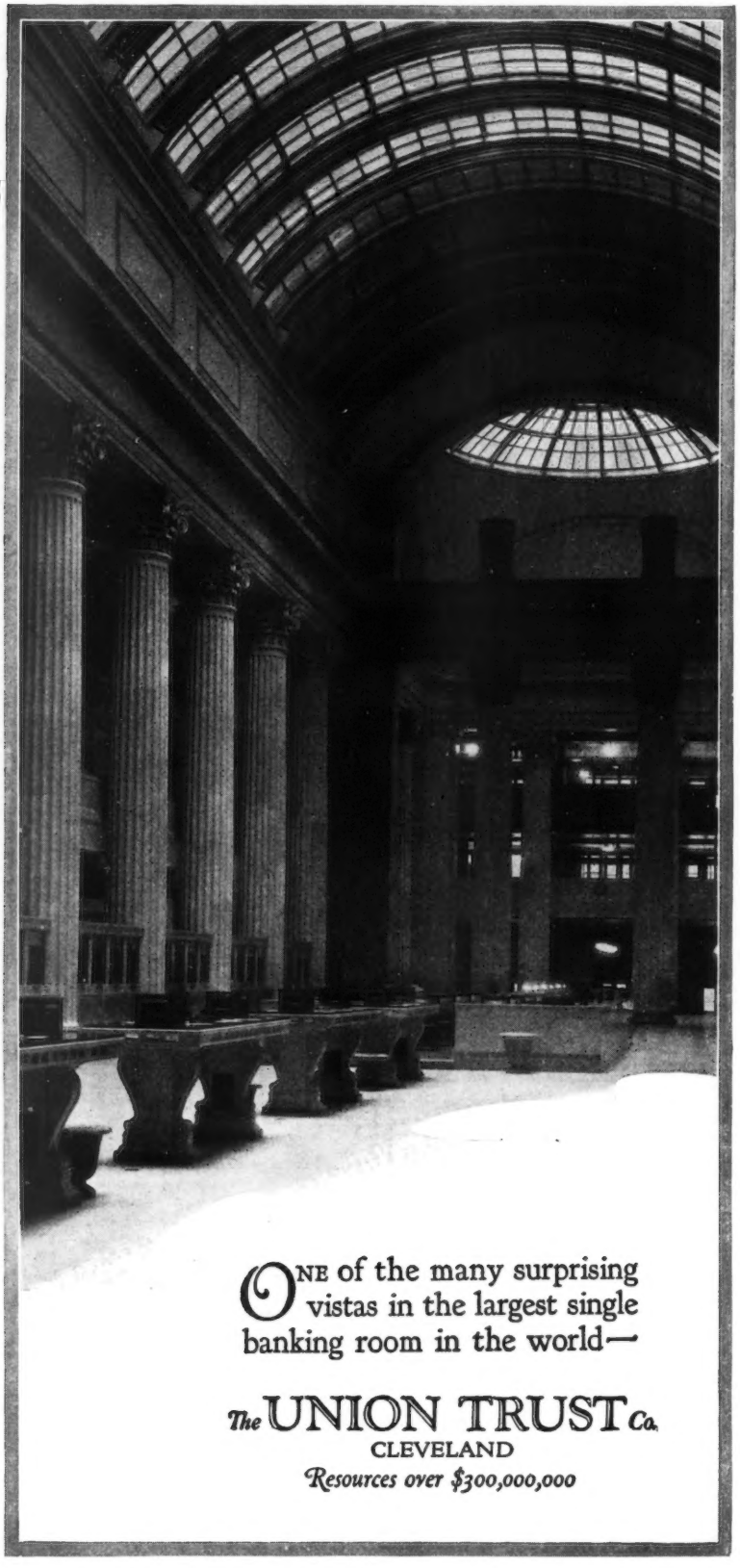


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men of prominence. Much evidence of this growing appreciation of the facilities of corporate fiduciaries may be found in reviewing wills filed in recent years. Many of these instruments not only have empowered executors and trustees to sell and make reinvestments, but have authorized them to retain original investments of the estate or operate business enterprises so long as their judgment considers it advisable to do so.

Two Impressive Trust Records

TWO recent stories in public press have furnished convincing testimonials to the business judgment of corporate trustees. In 1917 Robert T. Lincoln, son of the great President, created two trust funds and named a corporate trustee. Last week an accounting, filed by this trustee, showed these funds, through sound handling, have increased more than $1,000,000. A few weeks ago the corporate executor and trustee of Andrew Carnegie filed an accounting and this estate, under such competent management, has increased $10,445,193 in ten years. It is little wonder that trust service is growing so rapidly when one sees evidence on all sides of the superior manner in which banks and trust companies are handling estates intrusted to their care.

Such is the record of 1929. It calls for no gift of prophecy to foresee another year, and many more years, in which the pulsating force of the trust movement will forge ahead. The latest Federal estate tax reports, covering 1928, show that but 5796 estates of more than $50,000 were returned. In 1929 alone more than 1000 estates of over $1,000,000 were designated for ultimate settlement by corporate fiduciaries. Truly the field of trust service is one of limitless horizon.

Bank Earnings

(*Continued from page* 835)

portfolio. To the extent that depreciation was written off high money rates must be reckoned as an unfavorable factor in earnings. On the other hand, it boosted substantially the earnings on loans, particularly of banks in our big cities where the rates charged to customers responded to the fluctuations in the money market.

In addition, much of the credit formerly placed in bonds found its way into the call money market which was paying very generously for its support. It still remains to be seen whether the crash in the market, plus the reduced pace of business and the increase in failures, will register in the earnings statements of our banks for the year 1929-30.

Our low rate years are mostly years of stagnation and depression. The feeble spark of enterprise is at its lowest ebb and the capital available is trying

to secure employment. It is a borrowers' market with few borrowers. Not only do the banks get a lower return, but it must be reckoned on a restricted base. It is natural to expect these years to show the lowest bank profits and the evidence does not disappoint us.

In appraising the probable course of bank profits for the coming year, it is necessary to ask a question. Are money rates a direct causal factor in business variations, or are they merely symbols and signs? In other words, may we regard these rates as the gage outside the boiler or the fuel in the fire box? The evidence tends to show that they are merly weathervanes and that the important factor is the general state of health of the country. If that is good, it will in all probability be accompanied by normal money rates and we may look for an improvement not only in bank earnings but in the rewards of all enterprise.

How Free is Gold?

CURRENCIES throughout the world, with a few exceptions of secondary importance, are nominally on a gold basis. Nevertheless, when any government finds it necessary or expedient to discourage the outflow of gold, a means can usually be found to do so without too much difficulty.

Japan, for example, toward the end of the year 1929 began the task of minting more than 100,000,000 gold yen. Naturally, on the grounds of expense and convenience, shippers of gold from Yokohama or Kobe to San Francisco prefer gold bars to the metal after it has been cut and stamped by the Osaka mint. Therefore, without laying itself open to the charge of impeding the movement of gold, minting has the effect of making it less profitable to export the metal.

The list of countries which have applied brakes to the exportation of gold, without actually and formally renouncing the gold standard, during the past year is a long one. Sometimes, as in Argentina, the object is achieved by direct, governmental fiat. In most cases, however, the influences brought to bear are not visible to the naked eye.

Handling 759 Receiverships

(*Continued from page* 843)

of assets which will, to some extent, minimize the losses which would otherwise be borne by the creditors. The natural dissatisfaction of the creditors with the bankruptcy itself may very readily turn into resentment against the administrators of the bankrupt estate. There is, therefore, in every situation the possibility of discontent and criticism.

Moreover in any city of substantial size it will be necessary to set up a con-

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siderable personnel to handle the work. Even the closest and most constant supervision over the activities of employees will not eliminate all possibility of criticism. Hence there is always the hazard of adverse criticism and perhaps hurtful publicity which might undo the benefits of months or years of faithful, honest and competent work on the part of the company and its staff.

Immediately upon our appointment we had to decide whether we would accept the old system of employing the type of men who were willing to work on a casual per diem basis or whether we would employ men on our own pay roll and in that event find great difficulty in obtaining reimbursement of our outlay. In view of the responsibility we had assumed we felt that we must choose the latter alternative.

Under these circumstances it was not to be expected that the work would be immediately profitable. The matter of administrative costs, properly chargeable to the individual estates but heretofore paid in whole or in part by the company, is naturally being given the most careful consideration both by the company and by the court, and we have every reason to believe that before long a satisfactory solution will be found to this problem.

Given the fundamental requirements which I have mentioned, namely competent personnel efficiently organized and supervised, and a clear understanding with the court as to duties required by the receiver, there are many direct and collateral advantages to be derived from receivership work. In addition to the possibility of a reasonable business profit there is the undoubted prestige which attaches to an institution selected by the United States district judges for the performance of this very responsible work and this is bound to be reflected in some degree in the attitude of the community itself toward the institution. Furthermore, just as error or irregularity may lead to adverse criticism or publicity, so also good work in the administration of estates, particularly if accompanied by substantial increases in the usual dividends paid to creditors, should lead to favorable publicity and to good will on the part of the creditor body with consequent benefit to the other departments of the institution.

We believe that the services of trust companies equipped to do this work should be sought in liquidations other than through bankruptcy. These may take the form of voluntary liquidations of firms or corporations, liquidations under power of attorney, assignments for the benefit of creditors or deeds of trust.

While receivership work is difficult, sometimes trying, and not without its hazards and disadvantages, it also ap-

pears to possess possibilities of advantage for the bank or trust company which undertakes it, and almost certainly possesses great possibilities of usefulness for the community it serves.

NATURE OF BUSINESS FOR ALL CASES DURING YEAR 1929

Classification	Number of Cases
Amusements	19
Automobiles	15
Builders, etc.	51
Dry goods—clothing, etc.	96
Dry goods—specialty, other than clothing	19
Dry goods—general	24
Financial	33
Foodstuffs	74
Furs	51
Hotels and restaurants	26
House furnishings	70
Jewelry	26
Machinery and heavy manufacturing	21
Manufacturers—clothing specialties	85
Manufacturers dry goods—not clothing	29
Miscellaneous	36
Paper and printing	23
Professional	24
Textiles	11
Drugs, novelties, etc.	26
Total	759

DIVISION OF BANKRUPTCY CASES BY ASSETS

(Exclusive of Equity, Common Law Trustee and Assignment)

Group	No. of Cases	Assets
No assets	40	None
Under $1,000	234	$99,355.34
$1,000 to $5,000	259	604,620.00
$5,000 to $10,000	73	533,300.00
$10,000 to $25,000	66	1,069,400.00
$25,000 to $50,000	30	1,165,500.00
$50,000 to $100,000	13	871,700.00
$100,000 to $250,000	14	1,903,600.00
$250,000 to $500,000	1	380,500.00
$500,000 to $1,000,000	6	3,642,300.00
Over $1,000,000	1	1,117,635.57
	737	$11,387,910.91

Uniform Trust

(*Continued from page* 841)

beneficiary or his assignee the net worth of the trust fund on the date as of which revocation is made, that is, upon the next ensuing first Wednesday in the month. Upon the revocation of any trust the beneficiary is entitled to a proportionate share in profits realized and income collected and accrued, together with an amount representing the proportionate interest of his trust in the then current market value of the securities held for the account of all the uniform trusts.

Further than that, the beneficiary may revoke a part of his trust. There is a provision in the trust that at the option of the trustee the beneficiary may be paid either in cash or in securities. Further, there is a provision that in case there is held in the trust a security which is not immediately salable the trustee may issue its certificate of beneficial interest in that security, to be liquidated at such time as the trustee finds possible, or thinks wise.

The total income earned by the trustee for the account of each uniform trust will be set forth on a statement and mailed each year to the beneficiary in ample time to enable him to incorporate the figures in his personal income tax return for the preceding calendar year.

THE MARK OF AN UP-TO-DATE BANK



The distinctive imprint of the Hercules on the checks you certify inspires confidence and builds good-will for your bank. For it is visible, tangible evidence of your alertness, of up-to-the-minute methods, of unusual consideration for your depositors' security.

The Hercules Certifier removes the last doubt. It is the only machine that prints and macerates the entire certification record . . . the amount, the date and the serial number.

That is why hundreds of progressive banks throughout the country have discarded the hazardous, antiquated, rubber stamp method of check certification, and have adopted the Hercules Certifier.

You, too, will find it good business to investigate the Hercules. Ask for a demonstration. It will not obligate you in any way.

THE MOST COMPLETE PROTECTION

With one operation of the handle, the Hercules prints the entire certification record — the amount, the date and the serial number.

It duplicates the same record on the back of the check—added protection.

It impregnates the paper, forcing the ink into the fibre of the check from both sides simultaneously—the most complete protection known.

Manufactured under rigid regulations by trusted employees. Sold directly and delivered only in sealed cartons by registered mail to the authorized officer of each purchasing bank.

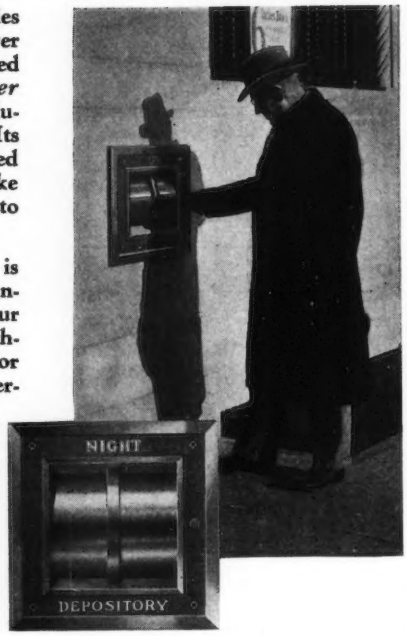
SAFE-GUARD CHECKWRITER CORPORATION
LANSDALE PENNSYLVANIA

YEO—THE ORIGINAL ROTARY

The Original—
The Genuine—
The Infallible!

There are several night depositories on the market. But the fact that over 800 banks have chosen and installed the Yeo Rotary—*more than all other makes combined*—proves conclusively the superiority of the Yeo. Its many exclusive features are protected by patents and copyrights that make it impossible for any other make to have them.

The Yeo Rotary Night Depository is 100% waterproof, burglar-proof, bandit-proof, mistake-proof. Its four models, varying in price, place it within reach of any bank, and it pays for itself in increased deposits and overtime work saved. Get in touch with us.



We offer four types of Yeo Rotary Night Depositories: Peerless II, Universal, De Luxe, and Victory. All provide complete service and protection, varying only in strength and price.

Bank Vault Inspection Co.

SAMUEL P. YEO, President

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Chicago: 6 N. Michigan Blvd. New York: 175 Fifth Ave.

BANK VAULT INSPECTION CO.
5 South 18th St., Philadelphia, Pa.

(Check square for information desired.)

☐ Please send complete information on the Yeo Rotary Night Depository.

☐ Please quote on installation from attached plans.

Name .....

Name of Bank.....

Address .....

City and State.....

The total income earned with relation to each uniform trust will be properly subdivided for entry upon the return under the sources specified thereon. These figures will include all income collected and profits realized for the account of the trust, whether or not distributed. A method has been devised through a mathematical formula whereby an accurate allocation of income and profits may be made among the trusts in operation under the plan.

Upon Death of a Beneficiary

UPON the death of an individual beneficiary of a uniform trust the trustee will, within thirty days following receipt of the declaration of trust together with a surrogate's certificate evidencing the appointment of an executor or administrator, and such waivers as may be required, pay over to the executor or administrator the net worth of the trust as ascertained by the trustee, within the said thirty-day period. The trust will, of course, be subject to inheritance tax in the same manner as other assets of the estate of the deceased beneficiary.

Upon the death of one of the beneficiaries of a uniform trust created in joint tenancy form, the estate of the decedent will be liable for an inheritance tax in the same manner as jointly owned property is taxable in the state of which the deceased beneficiary was a resident. The trustee will execute and deliver a declaration of trust in favor of the surviving beneficiary upon presentation of the original declaration of trust together with surrogate's certificate and such waivers as may be required, depending upon the domicile of the decedent.

One of the elements of the operation is the appointment of an auditor and the plan provides that the trust shall be examined periodically, not less than once a year. The trustee will mail a copy of the auditor's report to each beneficiary once a year, and in case any dispute takes place between the trustee and the beneficiary it shall be referred to the auditor for arbitration and his findings shall be final. The auditor shall be the person or firm who may be appointed from time to time by the president of the Chamber of Commerce of the State of New York.

The form of the declaration of trust is somewhat similar to that of a stock certificate, except that it is a simple summary of the provisions of the trust, and has on its back a form of assignment of revocation.

An assignment of the right of revocation is permitted in order that the maker of the trust may use the trust instrument as collateral for a loan. Although it is provided that the right of revocation may be assigned, the trust itself may not be assigned.

Two Bankers Were Talking

(*Continued from page* 850)

discussed over the table in a very candid and constructively beneficial manner. I refer to the meeting between a committee representing the American Bankers' Association, and a similar committee representing the National Association of Chain Stores. An interesting account of this meeting appeared in the January number of this Journal, but there were certain developments which may well be enlarged upon in connection with the present discussion. For instance, although the bankers felt that they had a sure case against the chain stores, they discovered in the course of the discussion that their own position had a confusing aspect for the chain store people in endeavoring to determine a fair basis for maintaining a bank account which would be profitable alike to the bank and to the merchant, had discovered a strange lack of uniformity among the banks as to what that basis should be.

One banker assures his customer that an average daily balance of $300 will be sufficient to compensate him for the service given, while a banker right across the street will insist that a balance of $1,000 is necessary to enable him to just about break even. Naturally this confuses the merchant who honestly is trying to operate efficiently, and thus cut down his overhead and his prices to the consumer.

The bankers committee had discovered that almost invariably the banker who was willing to accept a balance of less than $800 was not analyzing his accounts and did not really know what his accounts were costing him, and the representatives of the chain stores confirmed these facts out of their own experience. This means, of course, that the prevailing campaigns for the analysis of bank accounts will have to be given greater and more insistent emphasis so that there will be less justification for criticism by bank customers than is presently the case.

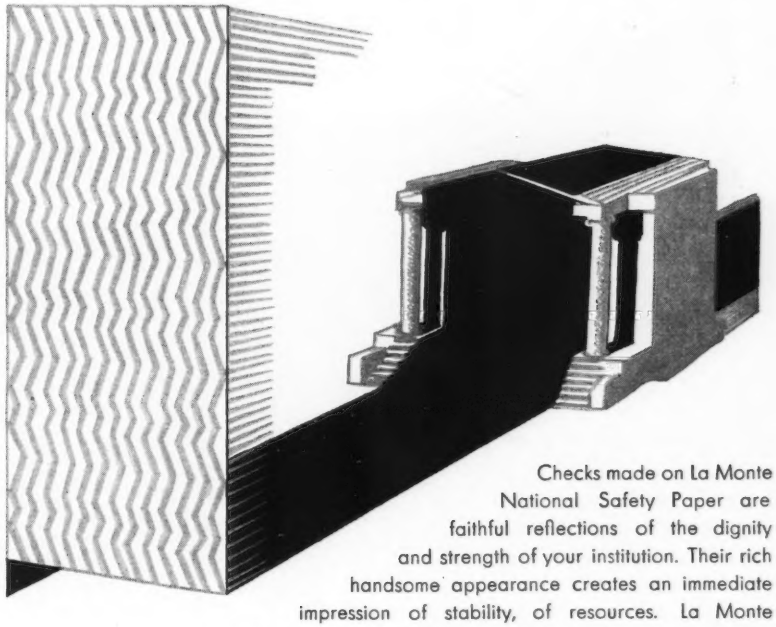
That conference was beneficial alike to the chain store people and to the bankers, and in all probability subsequent conferences will be held by the same groups for the purpose of a better understanding so that the relationship between the banks and the chain stores ultimately may prove mutually agreeable and profitable.

And this satisfactory experience naturally suggests that similar conferences might well be staged between the banks and other groups whose contact with local banking institutions and particularly those in the smaller towns, are a source of more or less friction because of the lack of clear understanding of mutual problems. A bank in a country town complains that it is required to give a great deal of service to the local express agents, or the local railroad representatives, or to the local manager of a national manufacturing institution, and in return has to fight for enough compensation to at least pay them partly for the service rendered. The local representative in each instance, of course, is trying to make good so that he will be entitled later on to a promotion, perhaps to a larger city, or to a more responsible position, and therefore operates his office with the least possible expense.

If corporation executives in each particular trade association could sit down with a representative committee of bankers and talk out their differences, each group no doubt would be willing to meet the other half way, and thus bring about a far more satisfactory situation, just as undoubtedly will be the case ultimately in the relations between banks and those giant institutions that make up the National Association of Chain Stores.

Sitting tight in one's own bailiwick, seeing and understanding only one side of the picture will always create prejudiced views on both sides, so here's hoping that the example set by the bankers and the chain store people will be but the beginning of a series of decidedly worthwhile conferences.

AT A DISTANCE YOUR CHECK OVERSHADOWS YOUR BUILDING — At home your building is evidence of your standing as a bank . . . but at a distance your depositors' checks may be all people have to judge by.

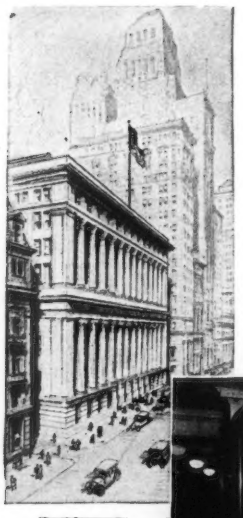


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Besides, this fine check paper offers a splendid opportunity for a display of private marks or emblems. More than 60% of the nation's progressive banks have chosen La Monte . . . the standard of all check papers. People instantly identify it everywhere by its distinctive wavy lines. George La Monte & Son, 61 Broadway, New York City.

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NATIONAL SAFETY PAPER
FOR CHECKS

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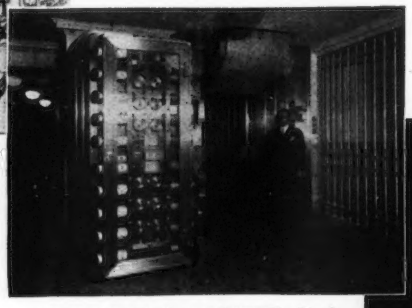
Building of

55 Wall Street

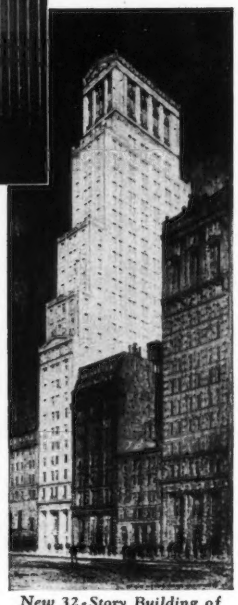
The National City Bank
INSTALLS
Donsteel Protection

The great vaults in the new National City Company Building, New York, containing more than one billion dollars, are protected by Mosler DONSTEEL vault doors.

No metals known to the science of vault protection compare with DONSTEEL—pure copper, specially treated—for resistance to modern methods of burglarious attack.



One of the Mosler DONSTEEL Vault Doors Installed in the National City Company Building



New 32-Story Building of The National City Company at 52 Wall Street

McKim, Mead & White, Architects
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The safe deposit boxes recently furnished this world-famous bank are equipped with Mosler dual-control locks which bear the Underwriters' Laboratories certification as being pick-proof.

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The Mosler Safe Co.
The Largest Builders of Vaults and Safes in the World

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ATLANTA BOSTON CHICAGO DALLAS DETROIT KANSAS CITY
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PITTSBURGH PORTLAND SAN FRANCISCO SEATTLE
TOKYO, JAPAN LONDON, ENGLAND SHANGHAI, CHINA

Getting the Right Start in the Trust Field

(*Continued from page* 853)

attention to the fact that there are differences in practice and to suggest that the head of a new trust department should in the beginning ascertain and adopt the best practice, which is usually the one followed by the leading trust companies and approved by the leading members of the bar.

Another problem of the new trust department relates to its system of records and accounts. The trust officer is apt to go to one of two extremes—either to put in a system so incomplete as to break down under the load of incoming business, or else to put in one so complicated as to break down under its own weight.

Experimental Era Ending

IN trust organization, systems, and methods everywhere, we have been going through a period of experimentation. So far it has proved to be economical in the long run to reorganize the department and to discard outgrown systems and to make new starts even though it was expensive at the time. But the period of standardization is now approaching. Already a new trust department may set up an organization and install a system that will prove expensive and elastic enough to take care of all future growth.

Next after the salary it takes to obtain the services of the right kind of trust officer, the best money that a bank or trust company can spend in setting up a new trust department is that spent in employing an expert on trust department organization, records and accounts who is endowed with common sense—and the combination does exist—and in having him install a system that will grow as the business grows.

In the normal development of any trust department there is always a period of waiting for business to materialize. Even though the head of a new trust department be kept busy the first year working on the wills and trusts of the officers, directors and stockholders of his company, he will come to the end of the year with a highly satisfactory showing of future business, but with a poor showing of present business. Then, if his president and board of directors are concerned primarily about immediate profits, they may encourage him to take on sidelines that will pay from the start. Or if he is ambitious to make a good show of earnings, he may suggest doing something of the sort.

It may be insurance—life, property, title; it may be mortgage loans; it may be real estate; it may be investment securities. Any one of these services is highly proper in itself, but none of them is a trust service. Let a trust department once enter a sideline that proves profitable from the start and it is apt to become the main line, and trust business is apt to be sidetracked forever.

Trusts Compete by Cooperating

WE need to be reminded once in a while that all of us are concerned in new trust departments everywhere getting the right start in life. To an extent not fully realized, every trust department is its brother's keeper, whether that brother is doing trust business across the street or across the continent. I know an eastern trust company that cannot get a desirable piece of trust business because a western trust company, the prospect complains, has rendered indifferent service in the settlement of his kinsman's estate.

Then, again, I know newcomers from the West who sought out and opened trust accounts with an eastern trust company because they had received excellent service at the hands of some western trust companies. Big trust com-

panies here in New York have failed to receive immense estates to settle because some small trust company out in the country, through inexperience, failed to handle satisfactorily the small estates of kinsmen of New Yorkers. On the other hand, country trust companies have failed to get local estates to settle because some big city trust company had failed to satisfy one of its trust customers, and news of his dissatisfaction, by way of the grape-vine telegraph, had reached his country cousins.

One of the most noteworthy and commendable features of American trust company service today is the hearty, cordial, courteous and unreserved way in which the larger trust departments open their doors and explain their systems and methods to visiting trust men from near and far. There must be something in trust service itself, so intimate and personal it is, conducive to the spirit of fraternity. Whatever the reason may be, the fact is that old and large trust departments, in helping the new and small ones to get the right start in life, are proving that they still have faith in the age-old principle, "Whosoever will be chief among you, let him be your servant."

Practical Uses of Living Trusts

(*Continued from page* 857)

to create trusts into which they make frequent small payments — sometimes weekly—for the purpose of building a fund for a stated purpose or just laying the foundation of a future estate. Although possibly not profitable to the trust company, this is highly so to the young trustors who learn frugality, thrift and industry and acquire business knowledge. Remember, they soon will be prospects for larger and more profitable business and will have established their banking home with you.

Life Insurance Offers Field

LIFE insurance trusts are susceptible of utilization for business building purposes to an almost incomprehensible degree. The statement that there are in the United States 67,000,000 policy holders, carrying life insurance aggregating more than $100,000,000,000, suggests the possibilities of increasing the 2 per cent of that insurance now sure of accomplishing its intended purpose—by being held in trust. More than half the population of the country carries insurance. Every second person you meet is a prospect for a life insurance trust, individual or business.

Numerous examples might be set forth, but that phase of the subject is rather beyond the indicated scope of this paper. Suffice it to say that the living trust furnishes the easiest and most responsive approach to the prospect who, after establishing any sort of such trust with you, requires little or no persuasion to assemble all his financial affairs under one roof—yours.

Experience compels the conclusion that the lure of the living trust, to the husband, parent or other person contemplating the future of dependents, lies in thoughts of relief from the arduous duties of management of possessions, an opportunity to view corporate supervision in lieu thereof, and the creation of a skilfull, trustworthy, efficient and sympathetic substitute for the benefactor after death. An easy approach would, therefore, seem to be by way of a display of skill, integrity, efficiency and sympathy in provoked discussion of those problems which concern the prospect. The assured care and maintenance of family and children, the education and development of young people, the possibilities of counsel and advice in the business ventures of youth, the interesting details of corporate fiduciary management—these and many more provide the openings for salesmanship.

Curbing Modern Youth

ANOTHER entree of inestimable value to us has been the suggested influence of the corporate fiduciary in guid-

The Right Start in Bank-Building

Complete Understanding between Banker and Builder through

The Hoggson Preliminary Service

This service was originated by us thirty-five years ago.

It provides a means whereby bankers, who contemplate building, may clearly understand the details of a building suited to their needs and may know, in advance, its Guaranteed Final Cost.

Send for a complete description of this service.



Peoples Trust Company
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Designed, Constructed and Equipped by
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The Best Bank Buildings at the Least Cost

FOR INDIVIDUAL AND INSTITUTIONAL INVESTORS

Every investment account, whether made up entirely of fixed interest-bearing securities or including a proportion of equity issues, should have a foundation of high-grade bonds. Government, State, Municipal and the best Corporation bonds are the recognized media for the conservation of capital, and are just as suitable investments for individuals as for savings banks, insurance companies and other institutions.

The National City Company provides conveniently located investment offices in the following cities where recommendations for the employment of current surplus funds will gladly be made:

Albany, N. Y.	Indianapolis, Ind.	Portland, Ore.
Atlanta, Ga.	Kansas City, Mo.	Providence, R. I.
Atlantic City, N. J.	Los Angeles, Calif.	Rochester, N. Y.
Baltimore, Md.	Louisville, Ky.	St. Louis, Mo.
Birmingham, Ala.	Memphis, Tenn.	St. Paul, Minn.
Boston, Mass.	Miami, Fla.	San Diego, Calif.
Buffalo, N. Y.	Milwaukee, Wis.	SanFrancisco,Calif.
Chicago, Ill.	Minneapolis, Minn.	Scranton, Pa.
Cincinnati, Ohio	Newark, N. J.	Seattle, Wash.
Cleveland, Ohio	New Orleans, La.	Spokane, Wash.
Dallas, Texas	Oakland, Calif.	Tacoma, Wash.
Davenport, Iowa	Omaha, Neb.	Toledo, Ohio
Denver, Colo.	Pasadena, Calif.	Washington, D. C.
Detroit, Mich.	Philadelphia, Pa.	Wilkes-Barre, Pa.
Hartford, Conn.	Pittsburgh, Pa.	Montreal, Canada
Houston, Texas	Portland, Me.	Toronto, Canada

The National City Company

National City Bank Building, New York

INVESTMENT SECURITIES

ing and assisting the return of modern youth to the fold of simpler living, frugality, thrift, industry, respect for recognized authority, and the propriety of and necessity for some contribution to the world's development. This not only makes a good sales talk to the parent, but becomes a highly salutary basis for future relations with a young beneficiary.

What more glorious opportunity for real service can one ask than to plan and assume the execution of the life pattern of another and to be his substitute after death; to accomplish the fruition of his dream for those who are to carry on in another generation?

Ours is a ministry wherein we labor for the material, mental and spiritual good of others, and make possible a balanced general welfare. Directing the management of every known kind of property, our duties are myriad. The corporate fiduciary is called upon to care for the aged and infirm and to provide for and supervise the support and education of the young. It must counsel the inexperience and collaborate intelligently with the wise. For the accomplishment of these tremendous undertakings and the assumption of such serious obligations it must thoroughly prepare itself. Such solemn and sacred duties must not be lightly assumed, but must be approached with a sincere appreciation of the immensity of the responsibility and the sacredness of the fiduciary relation. The laws of God and man impose upon the fiduciary the very highest degree of care, skill and integrity.

Each of us may enjoy only a life tenancy of his accumulations of this world's property. The wealth of this generation belongs and will pass to the next, and the proper vehicle to effect that passage is and should be the corporate fiduciary. With like verity may it be said that the living trust is the most human, efficient, economical and generally adaptable complement for this vehicle of intangible transport.

The trust company affords opportunity for the refutation of the idea that a corporation is soulless. Diametrically opposed to that conception, it permits demonstration of the existence of a corporate heart, always open to and ever at the disposal of those deserving persons seeking skilful and sympathetic assistance.

Insurance Trusts

(*Continued from page* 854)

mitted to use the cash proceeds of the policies for the purpose of purchasing assets from the executor or other representative of the insured's estate. This places the estate in cash with which to pay the taxes without sacrificing assets at forced sale, but it does not place the proceeds of the insurance policies within the grasp of the tax collector.

There is no subject requiring more careful attention than the method adopted to establish the interest of the trustee in the policies of insurance deposited under the agreement. The two possible methods are by assignment or change of beneficiary. If the wrong method is adopted there may be serious consequences to the trust company or the insured and in some instances there may be great embarrassment. During the recent market break it became necessary in a number of instances for the donors of insurance trusts to borrow on their policies. When they applied to the insurance companies, the insurance companies insisted that as the trust company had been named in some cases as assignee, in others as beneficiary of the policies, it was necessary for the trust company to consent to the making of the loan. Obviously, it is no part of the duty of the trust company to participate in the transaction at all.

The committee on insurance trusts is actively engaged in dealing with two phases of administration detail that are very important for the insurance companies as well as the corporate fiduciaries in reducing to the minimum the clerical work incidental to the creation of an insurance trust. Letters have recently been addressed to the companies which have been accustomed to insist upon the production of the certified copy of the deed, inquiring as to their willingness to

accept the extract from the deed if properly certified. Some of the insurance companies do not require the submission of a certified copy of the deed of trust or any information as to its contents. Others insist upon full information.

Signs of Cooperation

MORE recently a number of the companies have agreed to accept an extract of the fundamental provisions of deeds of trust, particularly the clauses having to do with the insurance policies, certified by the trust company instead of a certified copy of the deed in its entirety. It is hoped and expected that this practice will be adopted and the clerical work of both the trust companies and the insurance companies materially reduced.

Heretofore efforts to have a uniform change of beneficiary blank have been addressed to a number of life insurance companies, but the difference in laws and practice in the various states has been so marked that it has been impossible to arrive at any uniform result by dealing with the home offices of the companies separately. More recently the committee on insurance trusts of the Trust Company Division has taken up the subject with the Association of Life Insurance Counsel, and although we cannot guarantee the adoption of a uniform change of beneficiary blank we hope for substantial progress to this end in the not distant future.

The record of the past year is impressive and satisfying. It is the result of the splendid campaign of education and development of life insurance trusts done by the banks and trust companies, with the aid and collaboration of the life underwriters. That campaign will continue and the results of the work of previous years will continue to be felt for a long time to come. The sum reported for the year 1929 is of itself a matter of great importance, but as a forecast of the volume of insurance trust business to be written in the future, it is even more significant.

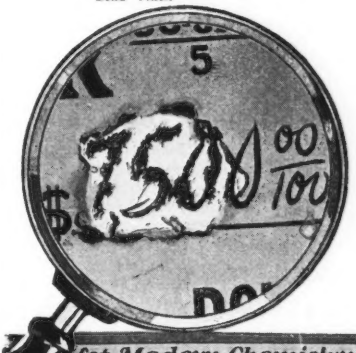


Lithographers and Printers are making beautiful checks on Wroe Nonalterable Bond

It Doesn't Cost More

—than ordinary paper. It is a tough, flexible paper that will withstand the maximum amount of wear. It does not cut up under the check writer. It perforates cleanly and positively. On its plain surface the amounts are easily read, eliminating mistakes in cashing.

The illustration below shows what happens when an alteration is attempted on one of the Wroe Nonalterable Bond Tints.



THEY are putting public good will into these checks—by displaying the bank's symbol of service—dramatically—effectively—on the solid color of Wroe Nonalterable Bond.

—unhampered by any pattern—yet *furnishing the ultimate of safety in bank check paper.*

We'll gladly give you the names of these outstanding lithographers and printers.

They will show you samples of personalized, dramatized, beautified checks. Send for their names.

W. E. WROE & CO.
(Producers of Construction Bond)
22 West Monroe Street, Chicago

Let Modern Chemistry Make Your Bank Checks Safe
WROE NONALTERABLE BOND

Many New Ideas for Fiduciary Business

(*Continued from page* 870)

cent of the replies showed net earnings of from 15 to 20 per cent of the gross. Other replies were as follows:

14 per cent showed 20 to 25 per cent.
10 per cent showed 25 to 30 per cent.
14 per cent showed 30 to 35 per cent.
10 per cent showed 35 to 40 per cent.
14 per cent showed 40 to 45 per cent.
10 per cent showed 45 to 50 per cent.
21 per cent showed net earnings over 50 per cent of the gross.

The results of the questionnaire were also classified geographically, disclosing that the regional location of the trust company alone does not control earnings. Net revenues of two companies in the same city or area and of approximately equal size, often showed considerable difference.

Ralph Hayes, director of the New York Community Trust, New York, described "The 1929 Growth of the Community Trust." He furnished the conference with figures on community trust development obtained in a country-wide survey. The committee in charge of this task consisted of James H. Perkins of New York, Leonard P. Ayres of Cleveland, Julius C. Peter of Detroit, Evans Woolen of Indianapolis, and Mr. Hayes.

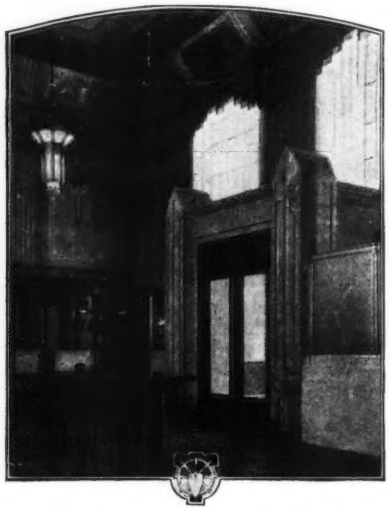
$32,000,000 in Community Trusts

THE replies to a questionnaire disclosed that there were approximately seventy-five community trusts in the country and that their aggregate resources have doubled in the past two years, and that they now administer funds in excess of $32,000,000.

Harry L. Stanton, vice-president of the Detroit and Security Trust Company, spoke on "Improving the Internal Administration in Acting as Trustee under Mortgage Bond Issues."

He outlined, step by step, the task to

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be performed, records, methods of obtaining information and plans of general procedure. He said that the work and responsibilities of the mortgage trustee were growing more complicated each year. He held this fact to be the "natural result of the introduction of more complicated indentures, with numerous special provisions, many of which, while primarily designed to aid the salability of bonds, nevertheless involve the trustee in added duties, which require more elaborate organization plans and methods."

Smith Urges Plain Language

ALFRED E. SMITH, former Governor of New York and chairman of the board of the County Trust Company, New York, delivered the address at the banquet on Thursday night at the end of the conference. He urged the importance of using plain, understandable language when discussing trusts with a prospective client.

"The thing to do," he said, "is to make service of the trust companies so universal and so understanding that it becomes in the nature of what you might call a public service, as we recognize the public service that is granted under charter from the state in the exercise of a franchise, because after all a trust company and a bank is the exercise of a franchise from the state. They operate only with the authority and under the police power of the state.

"So that all it requires is to give that general universal information and to treat the people that come to deal with you in such a way that they can go to their neighbor and explain the service that they are getting. That is being accomplished, as can be readily understood from the great growth of this business in a period of thirty years with such remarkable rapidity."

Errors in Making Farm Loans

(*Continued from page* 866)

duce it to three or four months. This gives notice to the farmer or any other borrower that his obligation is not in the bank for an indefinite period, and that the banker, in reducing the term of renewal, is inviting or suggesting by implication at least part payment.

Where we have not required the wife or any other member of the family to become joint maker, we are now asking that their names be added to such renewals. These are also suggestions that by inference convey the idea to the farmer that a payday is expected. We find also that the wife's name on the note is helpful in that she is usually more careful and anxious as to payment.

In the past, country bankers have been rather reluctant in obtaining statements of farm borrowers. The practice now is to get such statements annually, but we are endeavoring in our own institution to require them semi-annually where we have reason to believe there has been a notable change in the farmer's financial condition.

We are also shortening the period for the payment of interest. It has been our general practice up to and until the last few months to require the payment of interest only semi-annually. Now, when writing six months' notes, we are incorporating in the note the payment of interest quarterly and are explaining to the farmer that the lesser amount of interest would be much easier and more satisfactory for him to pay than the greater amount semi-annually. We are also refraining, when possible, from adding the interest to the principal when renewing.

Canada's Experience With Branch Banking

(*Continued from page* 877)

ing accommodations. That centre points with pride to the predominancy of French influence in civic administration, law, education and religion, but emphasizes in a tone of admiration "the loyalty of the French-Canadians to the British Crown that has given them freedom."

Canadian branches, extending from Hudson Bay to the tip of South Africa and from Vancouver to London and Paris, have opened avenues of opportunity to the most remote centre in Canada. Unlike the foreign branches of other bank systems throughout the world, a Canadian branch is permitted to carry on a regular banking business within a foreign land. Exception to the rule is noted in the case of the United States, where in New York City, especially, there are agencies of Canadian banks whose chief duties are concentrated upon the keeping of cash reserves, the loaning of funds at call, and the supplying of foreign credit information to American firms. Direct contact with importers and merchants enables the foreign branch manager to gather accurate and reliable information both for the Canadian business man who wishes to develop his foreign trade and for the local firms who wish to get in touch with Canadian importers.

Concentrates on Character

WHAT, specifically, constitutes foreign credit information, Valuable data on foreign credit includes a knowledge of the customer's finances, his debt-paying reputation, capability and local conditions affecting his business. If a manufacturer is in receipt of a substantial order from Rio de Janeiro, Brazil, it is essential to know these facts before the order has been accepted. The manner in which Canadian foreign branches regard the credit qualifications of a customer is quite different from the methods employed, for instance, by some American foreign branches.

In the opinion of foreign traders, export managers, and credit men, the balance sheet would be considered as the fundamental source of information. Certainly, by choosing that course, they are not violating the precepts of business management. Balance sheets are all right, but there are times when balance sheets can be made to portray any ideas or pictures that the export manager might wish to see.

The Canadian bank representative takes another attitude. He concentrates on character and ability to conduct a business rather than surplus funds sufficient to buy a stock of the merchandise required. Experience has taught him that character is a firm, deeply-rooted combination of qualities that cannot be removed. Capital, on the other hand, can disappear between the date of the debt contracted and the date on which the obligation falls due. Thus are governed the branch managers in foreign countries as they prepare exhaustive reports on credit information and business conditions. These are sent to the head office in Canada to be incorporated in the monthly review and other publications which are then distributed to clients all over the world.

Perhaps the greatest of all forces contributing to the success of branch banking in Canada has been the effective supervision of the branches by the general manager, the head office staff, and the branch managers. It is unusual to find a Canadian bank executive that has not spent a long and faithful career in the service of his bank. Starting as a high school graduate in the junior's post and continuing in the various positions of the typical branch, the banker has become at the end of twenty-five or thirty years the general manager. Each year of service has introduced him to a diversity of experiences, conditions, and climates. In that time it has been

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BIRMINGHAM	DENVER	KANSAS CITY	PITTSBURGH	TOLEDO
BOSTON	DETROIT	LOS ANGELES	PORTLAND, ME.	TULSA
BUFFALO	ERIE	LOUISVILLE	PROVIDENCE	WACO
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CINCINNATI	GRAND RAPIDS	MILWAUKEE	ROCHESTER	WILMINGTON, DEL.
CLEVELAND	HOUSTON	MINNEAPOLIS	ST. LOUIS	WINSTON-SALEM
COLUMBUS	HUNTINGTON W.VA.	NEW ORLEANS	ST. PAUL	YOUNGSTOWN
			SAN ANTONIO	

possible to have served at a dozen or more branches in Canada and in foreign lands.

What benefits have arisen from such a wealth of experiences? Too many to relate in detail, but several important aids to his present rank as general manager. He has personality, efficiency and tact; a knowledge of human nature, an intimate and sympathetic understanding of local conditions, and a close acquaintance with international affairs. Moreover, it is of paramount importance for every branch manager to develop a broad point of view, so as to be able to connect factors of national interest with local conditions. Without this essential qualification the branch manager deprives the head office of a proper interpretation of economic and financial conditions in his community. From his desk in head office, the general manager receives a "bird's-eye view" of the entire banking structure. Acting upon the recommendations and reports of the branch managers, the general manager is in a position to scan the financial horizon for early indications of clouds that might threaten the foundations of national prosperity.

The law of Canada requires no fixed minimum reserve against deposits. Such freedom would be foolhardy under the unit system of banking, for it would be almost a miracle to find the thousands of small local banks directed by professional bankers of wide business experience. Banking law in respect to reserve requirements is a dire necessity under those circumstances. More latitude is given to Canadian bankers. They have learned from years of experience and training that it is preferable to employ reserves in sound and safe channels than to keep an idle store of funds in the vault of their own or some other bank beyond the reach of business demands.

Rather than to take this narrow course, the chief executives of Canadian banks have sought to invest their funds so that they will serve the legitimate needs of trade and commerce and still be immediately available to the bank upon short notice. Bank custom and tradition have named the following channels in the distribution of reserves: cash on hand, international bank balances, call loans in New York and London, securities and commercial paper.

Owing to the breadth of the New York market and the prompt response to the calling of loans, 20 to 30 per cent of the reserves are put out at call to stock brokers. The existence of agencies in the financial district of New York places the Canadian banks at another advantage seldom enjoyed by the other banking systems of the world. The bank's representative is able to select his borrowers on a character basis. Only honest, reliable brokers are permitted to use Canadian bank funds. Moreover, the discouragement of intimate relations and secret understandings between the agent and moneyed groups has eliminated the possibility of injured feelings and breaches of friendship when substantial withdrawals are made by the Canadian institutions. In this manner the bank is reasonably assured of getting back its money when an emergency call has to be issued.

Linked with Prosperity

THE success of Canadian branch banking has been further demonstrated in another light by the fact that the Bank Act, the bulwark of the financial structure, has not suffered material alteration since its enactment in 1870, although at each decennial revision it has, of course, been modernized and improved. The branch system has responded to the commercial and financial needs of the Canadian people, and has satisfied the particular requirements of a sparsely populated and widespread country.

It has taken banking facilities to the doorsteps of every abode, whether it be in the farm areas of the West or the

mining regions of the Northwest. It has provided an elastic currency acceptable at par in all parts of the country. It has permitted the quick shifting of surplus funds from one place to another for the accommodation of commercial interests. It has opened up to the most remote centres in Canada lucrative domestic and foreign trade possibilities. It has extended avenues of opportunity over which branch managers might pass in search of more remunerative positions, and, in so doing, develop into highly trained and expert bank executives.

The carrying on of branch operations in practically every section of Canada, as is the case with the great majority of the banks, makes their success, to a great extent, synonymous with the national prosperity.

This is the second and last of a series of two articles by Mr. Foster which began in the February issue.

Evaluating Common Stocks as Collateral

(*Continued from page* 874)

of 20 and 30-times earnings, they may be substituted for ten. The exponents of the idea that good common stocks should yield less than Government bonds, may be right, but one may be permitted to doubt that the fact is well enough established to justify its use in making bank loans).

2. Dividends paid per share multiplied by 16⅔ or 20, etc.
   (If 6 per cent would be a satisfactory return for the bank if it owned that stock, then multiply by 16⅔. If 5 per cent would be sufficient, use 20. If the stock is so highly speculative as to require an 8 per cent return, then multiply by 12½).
3. Highest price the stock has sold at within several years.
4. Estimate the earnings per share for the next fiscal year and multiply by 10 or the same figure used for past earnings.
5. Estimate the dividend rate that will probably be paid for the next year. Multiply by 16⅔ or the figure used in appraising the back dividend record.
6. Lowest price this stock has sold at within the last few years (at least three years).
7. Low within twelve months.
8. 60 per cent of current price.
9. Ratios of activity.
   a. Average weekly share sales ratio for previous year to total shares outstanding.
   b. Average weekly share sales ratio this year to date to total shares outstanding.
   c. Last week's share sales ratio to total shares outstanding.

Other methods may be just as good or better. The purpose will be served if attention is called to any unusual activity. Items one to eight represent seven different methods of appraising the dollar value of the collateral. If the amount per share one is asked to lend is less than every item in the list, the loan probably may be granted without much argument.

Other Facts to Consider

FREQUENTLY, however, the amount required will be in excess of some of the prices shown. If these lower prices are among the items under headings one and two, the higher loan can perhaps be justified by present conditions or outlook. On the other hand, any loan applied for in an amount which exceeds the appraised value, based upon the estimated future earnings and dividends or the lowest sale prices should be carefully considered.

Before making this loan, the recent ratios of activity should be examined to try to estimate the extent to which speculative buying has been an influence in creating the current price.

Once a collateral loan is granted, a daily check of all prices, as previously suggested, or by some other method, would seem to be a necessary part of the bank routine. Daily trade, corporate and general news developments should be watched. Adverse developments should be acted upon promptly. Volume of common stock buying by depositors is bound to grow.

Our banking institutions will play their usual important part in this development, as in all other economic movements. Upon the loaning officers will fall the task of working out and executing sound policies for the handling of his business. The present low "loss record" on ordinary bank loans proves beyond question that these men have the ability to solve this problem.



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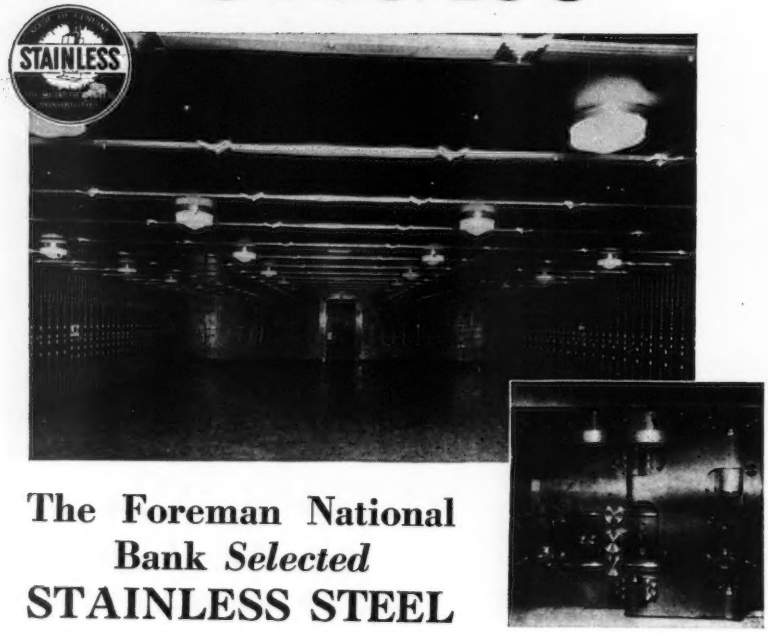
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Have All Saving Accounts Verified

(*Continued from page* 881)

appraised valuation of the assets as indicated by the bank's records, and 2. To determine that such assets actually exist and that the bank has legal possession and title to such assets.

"Most bankers and bank employees are honest and only occasionally are banks embarrassed by dishonest employees, however, all possible protection should be placed about the bank's funds to guard against any misappropriation of the bank's assets. The examining committee should determine to its own satisfaction the correctness of any apparent irregularity and should not accept too readily the explanation of an employee.

"ALL cash on hand should be counted and a satisfactory explanation obtained on all cash items. Experience has proved that cash items can represent anything from an officer's overdraft to an excess loan.

"The verification of all balances due to and from banks is very important. Each correspondent bank will gladly furnish a statement of its account as of date of the examination and from such statements the various bank accounts can be reconciled.

"It is the duty of the examining committee to ascertain whether or not the legal reserve is being maintained; that the bank building and furniture and fixture accounts are being carried at a fair valuation; and that proper depreciations are being taken thereon; that the overdrafts are being held at a minimum. Favoritism to special customers is often shown in this account and losses may come into the bank by way of overdrafts. Fidelity bonds and the minute book are items for attention.

"The expense account is one for special attention by the examining committee. Through this account passes much of the bank's earnings. A wise man knows how his money is being spent.

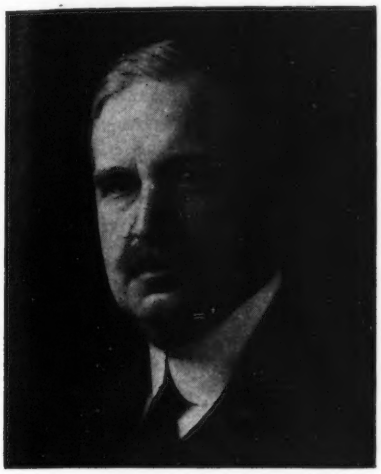
"The total amount of deposit liability, as indicated by the general ledger, can be determined by making an adding machine list of the individual ledger accounts, savings ledger, or savings cards accounts and securing a list of all outstanding cashier's checks, certificates of deposit, and dividends unpaid. It is important that the amounts of all cancelled or paid C/Ds and C/Cs since the previous examination be verified with the register.

Periodical Verifications

"COMMERCIAL accounts are usually reconciled once each month by the bank furnishing its depositors with a statement, together with the cancelled checks. Such is not the case, however, with savings accounts. In my opinion, it is the important duty of the examining committee representing the board of directors to have all savings accounts verified at least once or twice each year by direct contact with the depositor.

"This can be done by having someone, other than the regular savings teller, take charge of the savings department during the interest period, or by mailing to each savings depositor a notice indicating the amount of that particular balance and the amount of interest then being credited to same, asking that the bank be notified in case of any apparent discrepancy, or any other way that would bring the desired results, but I urge upon you the necessity of having all savings accounts verified periodically.

"The loans and discounts, by far the most important feature in most banks, as bearing on their solvency, deserves the unqualified attention of the examining committee. Therein is reflected the safety of the depositors' money.



Gates W. McGarrah

Heads World Bank

GATES W. McGARRAH resigned as chairman of the board of the New York Federal Reserve Bank to become head of the new Bank for International Settlements in Basle, Switzerland. The second American director is Leon Fraser, the New York attorney who served formerly as general counsel for the Dawes Plan.

The new international bank has twenty-five directors on its board. Britain, Belgium, the United States, Japan and Italy furnished two each. France and Germany, being the countries chiefly concerned in the payment and receipt of reparations, are represented by three each. The remaining nine are distributed among smaller countries.

Touching on the question of how closely the new bank will cooperate with the central banks of the world, including the Federal reserve banks, Mr. McGarrah said that the main purpose would be to facilitate reparations payments and that its relations with the Federal Reserve System would be "about as close as those now maintained with the Bank of England and the Bank of France." Mr. McGarrah's successor is J. H. Case, who has been deputy governor of the New York bank since 1917.

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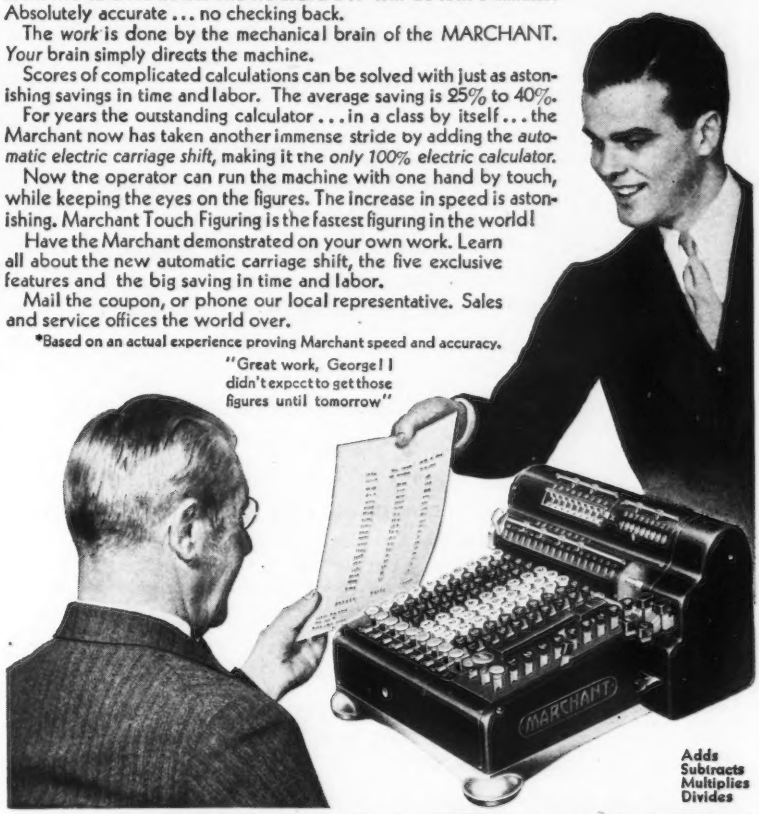
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The Service Charge in New England

THE spread of the service charge idea in Maine, New Hampshire and Vermont has been mapped and measured in a questionnaire survey undertaken by Eugene M. Hewett, cashier of the Sanford National Bank of Sanford, Maine.

In the three states 106 banks have inaugurated service charges of one kind or another. Seventy institutions replied that they were considering plans for such charges and forty-one reported that they were not interested.

Three Maine banks, which reported that they were not considering service charges, explained that they followed the policy of closing all unprofitable accounts.

The actual methods of applying the charges were of nine varieties. Sixty-six banks (fifty-two of which were in Vermont) were charging fifty cents on average monthly balances under $50. Eleven charged $1 for handling average monthly balances under $100. Nine charged fifty cents on average monthly balances under $100. Eight charged fifty cents if the balance dropped below $50 at any time during the month.

Eight banks report that they levy a charge against all unprofitable accounts regardless of size. Mr. Hewett says that the consensus of opinion among banks which have the fifty-cent charge on balances under $50, is that it would have been better to charge $1 for balances under $100.

He cites recent records of the Massachusetts bank commissioner's office showing that 101 trust companies of the state collected $689,384 in service charges during the calendar year 1929.

All successful business, big or little, is predicated on the ability to please the individual—to render him a service that satisfies. As we continue to grow larger and keep pace with the changing times, we must avoid any tendency to shun this essential obligation.

—*from an address by* JOHN G. LONSDALE *in which he recommended a principle of service which quite naturally has been applied in the institution that he serves as president....*

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What Bank Commissioners Are Thinking

By H. C. JOHNSON
Washington State Supervisor of Banking

THE swivel chair and the term, "banker," have a wonderful attraction suggesting a position of dignity and affluence, thus creating an urge to be a banker or a bank director. It is my firm opinion that over-banking, especially in the smaller centers, has contributed as much, or more, to bank failures than any other cause.

Many such applications originate in a desire to stabilize real estate values; with the chronic over-drawer and would-be borrower; and from spite. It is to be regretted that the average prospective stockholder does not carefully analyze the primary motive behind the application and the potential financial returns on his investment before he so enthusiastically signs on the dotted line.

We are putting forth great effort toward the education of and cooperation by directors. During our credit analysis of a bank, it is our plan to have one or more directors sit in with the examiner, and at the conclusion of an examination to insist upon a full board representation. At this meeting the examiner's report is discussed, resulting very often in new constructive policies being adopted. The examiner's report is later analyzed in our office and a letter is directed to the board of directors, which letter we require to be made a part of the minutes of the next regular meeting. We also require that receipt of the letter be acknowledged over the signature of each and every director, certifying that our requirements will be complied with. This one policy alone has resulted in arousing a live interest among directors in their institutions and a recognition of their responsibility. The state banks of Washington are in an exceptionally sound, stable condition, which may, quite largely, be attributed to the cooperation of our bank directors.

IT can be assumed that anyone, upon accepting a position as manager of a bank, has a conscientious regard for the obligations with which he has burdened himself. If he does not have a clear conception of the trust he is assuming, he should be willing to step aside for a bigger man before it is too late. Under no circumstances should he tolerate one-man management. It is ruinous to the bank, depositors, stockholders and particularly to himself.

Insist upon support from directors. If there are members on the board who are figureheads and who will not take an active interest and actually direct, insist that they resign. Hold regular meetings of directors at least once a month; more often is desirable. Submit to them the monthly report of active officers to directors. See to it that each director is a member of a committee and that all the committees function. Consult freely with them before new large loans are made—before criticized loans are renewed—place the responsibility upon them for appraisals of real estate loans.

All loans are good when they come over the counter. It is the bank's responsibility to see that they are maintained in that condition. Put frozen loans upon a definite, periodical liquidating program. Do not wait for large payments—they seldom materialize.

THE same may be said of capital loans, except that there is a constant impulse to send good money after bad. See to it that the bank is as fully secured as possible and at the first opportunity reduce security to cash and take the loss, if any. Why delay or why continue to sink more money in a losing proposition? Bankers are not very brave

when they permit borrowing customers to run their business, resulting in left-handed dividends and an awful mess of alibis to stockholders. Watch the borrower who finds it necessary to renew his note, adding the interest, to make it appear as a new or current note. He is heading for the rocks.

Those who are in the chattel mortgage field should check their chattels at the time the mortgage is made and periodically thereafter. They should require a financial statement for all loans of $500 or over and retain a file of these statements, checking them occasionally. These statements contain much of interest, many warnings and some headaches.

What does a bank do with its profits—provided there are any? Does it build up its surplus to at least 50 per cent of its capital—set aside adequate reserves for taxes, depreciation and other purposes, or is it so fearful of a competitor that it disburses it all in fancy dividends to make it appear the bank is prosperous?

What about the liquidity of a bank? Are all funds tied up in local loans, or is the bank fortified with adequate secondary reserves? A good bank may usually be judged by its list of United States bonds, county and municipal bonds, prime commercial paper, bankers' acceptances and listed bonds of unquestioned value and of such diversity that cash is always available for any emergency.

It is the constant effort of all state banking departments to emphasize the fact that the department is supported by bankers and belongs to them; that the old detective spirit has been eliminated and that the primary purpose of the department is to be of assistance.

First, it should be kept in mind that the bank manager can make a better examination of his bank than any bank examiner who ever lived. If he has paper that he knows to be a loss or unacceptable as an asset, he should charge it off without waiting for an examiner to order it. If bad judgment has been used, he should tell the examiner all about it and the examiner can and will help. A banker perhaps believes his problem to be unique, but there are many like it, and the continual daily analyzing of just such problems enables the banking department to give advice and assistance that has been found worth while.

Do not under any circumstances attempt to withhold information or put problems under the table. Do not provide the competing banker with ammunition to pass on to the examiner.

In cases of irregularities or defalcations, there is always the insidious question, "Where was the bank examiner?" This is totally unjust. Our primary duty in the examination of a bank is to determine its solvency.

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Credit Losses for 1929!

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035 R20

Can the Reserve System be Internationally Isolated?

(*Continued from page* 833)

as well as in gold, could, if it chose to do so, charge a small premium if gold redemption of notes were insisted upon. In like manner in Germany, the Reichsbank might legally refuse the redemption of its notes in gold at Hamburg or Bremen and send the prospective exporter to Berlin for his gold. He would then have to add to the total costs of export the internal costs involved in shipping the gold from the capital city to the port of export. The significance of these seemingly small measures lies in the fact that if the gold points be raised, the whole foreign exchange market must be pulled to a higher level before the exportation of gold again becomes profitable.

The Federal Reserve Act grants to our own reserve banks powers, and definitely imposes upon them responsibilities, in all these fields. They may

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control money rates, they have broad, open-market powers and they are authorized to buy or sell gold and to borrow or lend it as circumstances justify. At the same time it is their duty to safeguard the American credit structure and to manage it in such a way, both in its domestic and in its international aspects, that it will contribute most effectively to the conduct of American business. The system cannot possibly be operated with adequate intelligence unless due regard be had to the policy of other central banks. The possibility of working at cross purposes with these banks may arise at any time. Hence a policy of reasonable cooperation with them would seem to be a matter of elemental necessity.

We Cannot Escape This

SUCH cooperation becomes more important than ever in connection with the projected Bank for International Settlements. This new bank will be controlled by the principal central banks of the world, although our own reserve banks have been forbidden by our Government to have anything to do with it. At the outset the bank will probably have to confine itself largely to the handling of the reparations payments. But in this connection alone the bank will have heavy transfers of funds to make, and we cannot possibly escape an interest in them because two-thirds of the total will eventually come to us. We insist upon rigid separation of Europe's debts to us and the payment of reparations by Germany, but to the Europeans debts and reparations are two sides of the same question. The reparations that the Allies will get will mostly come to America as interest on, and part-payment of the principal of, their debts to us. Our insistence on the separation of the two questions may not be unreasonable from our point of view, but, certainly, there would be little excuse for refusal to cooperate with them in getting the money to us.

More than Reparations

THE plan for the bank as formulated by the Young committee of experts embraces considerably more than reparations settlements. The possibilities so envisaged are, of course, matters of future development, but to whatever degree they may be realized we shall assuredly have to reckon with them. In the meantime the bank will be a point of contact between the central banks of the world where matters of common interest will be discussed. No central bank can therefore afford to manifest an attitude of lofty indifference toward it.

After discussing the instability of our money market due to the stock speculation last year, Mr. McFadden in his first *Saturday Evening Post* article says:

> "There is every need for an adjustment without delay in our financial machinery. We must take into consideration the responsibility of world financial leadership that has been placed upon us and recognize the fact that our future prosperity to a great extent depends upon how wisely we discharge this responsibility. Our exports are larger than our imports. We have loaned the world in excess of $25,000,000,000, for which the creditor nations must pay us in excess of a billion dollars' interest. And when we consider the advancement industrially, financially and economically in this country for the past fifteen years, taking into consideration this nation's wealth and the possible continuance of this development of our natural and trade resources, both domestically and internationally, with our present refinements in industry which cannot help but accelerate production beyond our ability to consume, we must realize that it will be but a short time before we must either expand our operations to all parts of the world or else be content with our present position."

We agree with him; but the conclusion to which this paragraph leads us is not that we should, financially speaking, keep ourselves free and unspotted from the world but rather that we are commanded in our own interest to work out with the banking systems of the world a reasonable basis of cooperation.

Thinking in Figures

(*Continued from page* 878)

of analysis based on the law of averages can be applied to small accounts. Let us say, those running up to $500.

We need another more accurate system for analyzing larger accounts, which represent our valuable customers. It is this growing demand for a simple and practical method that may be used by small, medium and large banks, that has led bankers to study various auditing systems. The study itself develops in us some ability to think faster in figures. Mechanical bookkeeping has not done much toward helping develop analytical minds. In fact, we are now using not only adding machines, but those dealing with multiplication and division, to such an extent that we may easily lose confidence in our own capacity to handle and understand figures. Too much cannot be said in praise of modern mechanical methods. On the other hand, we need just enough interest in the science of figures to back our good judgment and our sound reasoning.

The average bank may determine the value of an account without much extra work by means of the form accompanying this article. This form is to be filled out by the receiving teller at the time the deposit is taken.

Surprising Results

LET us consider, for instance, the account of Mr. A Goodwin, who keeps an average ledger balance of $1,200, and which appears to be a very good account. When Mr. Goodwin appears with his deposit the teller separates the cash and enters the amount of the checks as a total in the second column. Cash deposits ordinarily need not be entered. Our teller naturally scrutinizes the items when he checks them off the deposit ticket. If the items are all local, one day may be noted as the required time for collection. If the checks, or part of them, are out of town items, it requires only a little thought and practice to learn almost the exact number of days required to collect them, which number is entered in column three. Next multiply the total deposits by the number of days required for collection, and we have in column four the amount of float Mr. Goodwin has for one day. The last column merely shows the number of items on each deposit ticket.

At the end of the month all that remains to be done in summarizing is to take Mr. Goodwin's ledger sheet and obtain from it the number of checks posted and the average balance for the month. The result will probably surprise us.

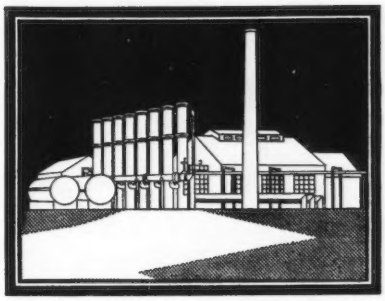
A receiving teller may keep twenty of these sheets handy in his window and jot down the information each day on all of them in ten minutes or less. In other words, the ordinary account may be correctly analyzed each month in less than fifteen minutes.

The beauty of the system lies in the fact that it may be used in any bank, as the reserve, interest and cost of items may be changed to apply to your particular bank, considering all your various classes of investments, volume of items handled, etc. Try this on some of your doubtful accounts. A brief explanation appeals to the fairness of almost every customer. The result is improved balances. You may rule these charts off yourself, mimeograph, or print a supply at low cost.

Consider yourself as the customer of a larger bank. Your correspondent analyzes your account for the purpose of determining exactly how active it is. Then they ask you to keep a minimum balance of so much. It therefore becomes increasingly clear that you must in turn ask your customers to maintain profitable balances.

Out of the Chest

ALWAYS with us, as bankers, there is the feeling that we must be careful about "being too hard" on our cus-



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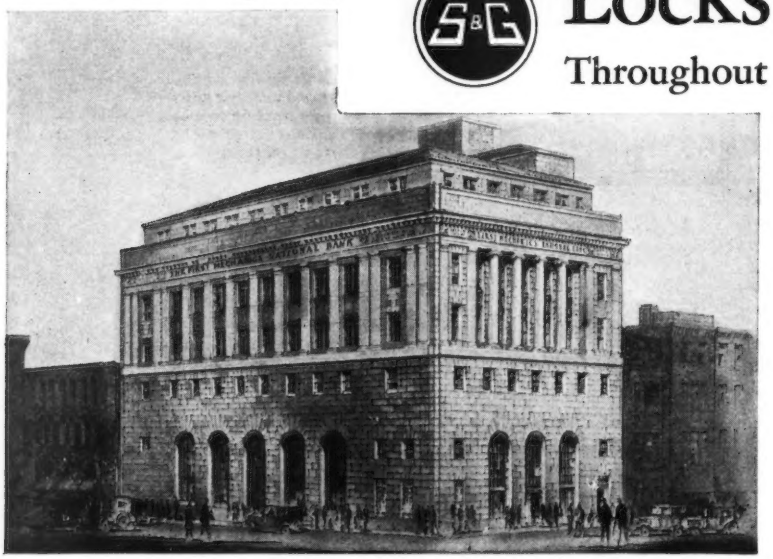
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tomers, "because they might transfer their accounts elsewhere."

"That's the reason," said a banker to me recently, "that we haven't done any analyzing. We don't know just how to go about it and we are afraid of losing some good customers."

And that is exactly the reason every banker should begin to think of his accounts in figures, so that he may determine his profitable customers and encourage them—and at the same time segregate such depositors as Mr. A. Goodwin, who uses his banker as a good thing, until he stands corrected.

Again, every man, woman or child who keeps money in your bank or mine has the right to expect that all depositors will be treated alike. It is not only to your advantage to begin a program of strict analysis, but it is your duty to depositors. There are many equally effective methods for analysis that may be used as loss detectors. A *laissez-faire* policy regarding the use of them amounts to nothing more than allowing dollars to slide out of your chest of undivided profits.

With Equal Sagacity

IF this simple method leads you into the formality of reducing expenses to a unit cost basis, or a long and painstaking distribution and allocation of costs to units of work, and so on, it will have done you a service.

At the beginning of the World War a grizzly Frenchman stood on a soap-box near the edge of Paris urging every able-bodied man to take up arms at once. He ended by saying: "Do your part! It's concerted action that takes the guesswork out of war!"

Today he might say to American bankers with equal sagacity: "Do your part! It's analysis that takes the guesswork out of banking!"

Investment Trusts

(*Continued from page* 858)

Much of the trouble that developed among the "trusts" toward the end of 1929 and compelled some to liquidate and others to form combinations with stronger companies, was due to misjudging the market at the end of October and buying heavily at that time when it was felt that the bottom of the decline had been reached. There was ample excuse for taking a position in the market then as, by all Wall Street traditions, it should have rallied and did for two days; then went into the acute period that culminated on November 13. This was only another indication that the "trusts" had no better information and no greater prescience in market matters than thousands of individuals who made the same costly mistake at the same time. Those "trusts" that have experienced their most serious troubles in recent months have been affected quite as much by the depreciation on what they bought in October as by their earlier purchases.

It is estimated that in mid-summer the "trusts" had at their disposal between $400,000,000 and $600,000,000 in call loans and other quick assets which they could throw into a declining market and stem the tide. Undoubtedly their purchases rendered valuable support but like those of the bankers' pool which were of much smaller size, they could not cope with a market that was running madly toward destruction. The experience of more than one "trust" manager was that he found he had consumed too large an amount of his liquid capital before the real bargain days arrived.

Three Months to Recover

IT was only when stocks had reached the high point in their recovery in February that the "trusts" were again in a comfortable position and able to take moderate profits on securities absorbed into their portfolios three months before.

With this improvement there naturally came a slow appreciation in the market prices of investment trust and trading corporation shares. This, however, was not in exact ratio to the gain in the investments held. Today there is still a decided variation between the

so-called liquidating price of the trust shares and their current quotations. A majority stand at figures well below those at which they were issued for public subscription and, of course, very much under the level to which they advanced during the summer of 1929. It is quite likely that for some time they will lag behind the market for individual public utility, railroad or industrial shares while confidence in them is being gradually restored.

If the depreciation in the portfolios of the "trusts" last November could be accurately measured, and this would be difficult, dealing with over 200 separate companies, representing a capital of possibly $3,000,000,000, it would be found that the gap between cost and market prices was a very wide one. One company alone, in making its statement as of December 31, showed that it had adjusted its balance sheet by $104,000,000 in the revaluation of investments. This, of course, is an extreme instance of what happened where there had been too little regard for actual values in the haste to absorb properties and blocks of stocks and throw them into a general pot.

Showed Heavy Losses

TAKING a score or more of the reports of the "trusts" as of Dec. 31, 1929, it will be found that, on that date, which included a fair recovery from Nov. 13 prices, the differences between cost and market value ranged from 10 to 20 per cent. It was greatest with those companies that came into possession of their funds just a few months before the panic, and whose managers were hypnotized by the amazing strength in all stocks at that time.

The events of 1929 brought the test of the investment trusts and trading corporations more quickly than had been anticipated. It came to them when a majority were unseasoned and in the midst of the most violent speculation that this country had ever witnessed. It is not right, therefore, that they should be judged entirely by the weaknesses which they have recently exposed. It is probably to their permanent advantage that the trial which eventually they had to face developed when it did for it has taught many valuable lessons that will be put into practice when these companies are young rather than after they have fallen into the routine and traditions of a longer business experience. One fact should be emphasized, which is that while they bought unwisely as to prices, they bought well as to quality.

There are few "trust" lists made public that show a preponderance of low grade stocks or bonds. Apparently each manager did about as every other manager and had the same ideas of what securities would look best in his portfolio. This developed a competitive race for the "glit-edged" stocks and had a great deal to do with sending their prices to absurd levels.

One of the benefits of the recent experience, so far as the public is concerned, is that of greater publicity and in turning the attention of the "trusts" away from trading profits and toward regular income from interest or dividends on long-term securities. Partly as a measure of defense, many "trusts" have made complete exposure of their lists of securities even where this was not compelled by the regulations of the New York Stock Exchange. I predict now, that some of the larger companies that have been antagonistic to this practice will fall in line with it before the end of another year. There are business reasons why publicity is not to the advantage of the holding corporation in that it exposes their market position, but such exposure once a year will be of less detriment than that of refusing to permit the holders of their securities the right to a review of the component parts of their investment.

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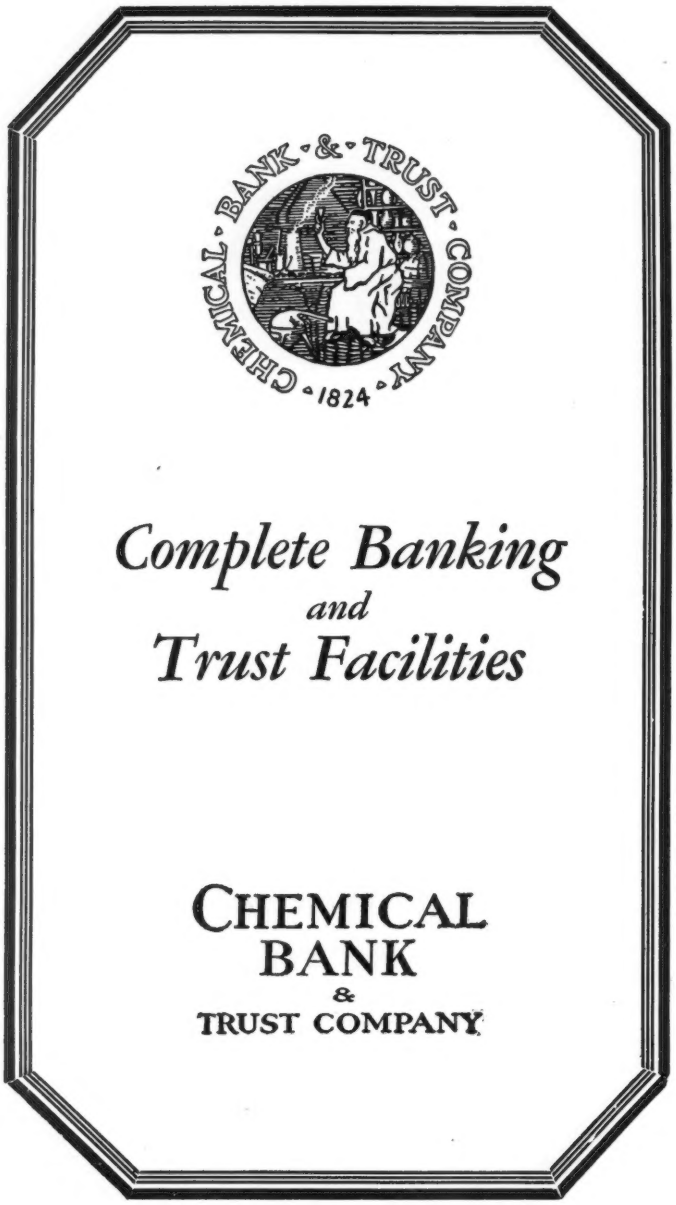
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The essence of investment trust policy is that of safeguarding capital by diversifying investment. Has "diversification" proved itself in the latest stock market slump? It has been shown that the average decline of investment shares was considerably greater than the average fall in groups of individual shares representing "trust" portfolios. This might prove that, if an investor held fifteen different stocks, he would always be in a better position than the man who held one stock issued against these fifteen different units. The abnormal weakness of the trust shares in the panic was the sequel to their abnormal strength. Had they acted in conformity with the rest of the market the average of the two classes of shares would probably have shown about the same percentage of decline.

No Guarantee Against Loss

DIVERSIFICATION does not provide an insurance against declines for a study of all stock market panics clearly indicates that when demoralization occurs all kinds of stocks go down together. Frequently the good go further than the bad for it is necessary to sell the one in order to protect commitments in the other. The great advantage of the purely investment trust stock to the investor is that it permits him at a relatively low market figure to participate in the benefits marketwise that come to those who can afford to buy separately the so-called "rich men's shares." There is also the further opportunity in a well-organized "trust" of sharing in such profits as come from a knowledge of economic, financial and political conditions that affect permanent or transient values of securities.

In the panic of 1890 the British "trusts" had their first tests. Those that failed under it were the ones that had been most involved in ownership or control of other properties. Where they adhered to a moderate investment in one company and spread their capital over many, they came through very well. It has happened that the heaviest depreciation of American "trust" shares came to companies that also had adopted an ownership attitude and had pyramided to excess. Fortunately they were in the minority. In all it may be said that the American companies, though less experienced when the test came than the British "trusts," made a better average showing than the latter and will, I believe, recover their prestige more quickly.

Adequate Compensation

(*Continued from page* 862)

a substantial upward revision of fees for both voluntary and corporate trusts in the eastern states, there exists an equal need for an upward revision of statutory executor's and administrator's fees in the western states. Based upon a $100,000 estate, the executor's and administrator's fees allowed by statute or court in Illinois would be $6,000, in Pennsylvania $5,250, in Massachusetts $2,500, in New York $2,195, in Ohio $2,120, in Oregon $2,120, in California $1,830, in the State of Washington $1,700, and in Michigan $1,100. In the absence of specific compensation mentioned in wills, the fees allowed annually by court to testamentary trustees on an estate of similar amount vary greatly in the several states, but they appear to be higher in the western states than in the eastern ones.

A compilation of quoted fees for corporate bond issues shows an even greater disparity. The schedules covering a ten-year period on a million-dollar bond issue would approximately produce in trust fees, $10,500 in Los Angeles, $6,050 in Detroit, $4,250 in Chicago, $3,800 in New York City, $3,500 in Cleveland, and $1,050 in Boston. While the total charges in Los Angeles are ten times what they are in Boston, for instance, there is no unusual sales resistance against the higher fees. I suspect they are obtained as readily in one place as they are in the other.

Convention Calendar

Date 1930	State Association	Place
April 11-12	Florida	St. Augustine
April 22-23	Louisiana	Shreveport
May	Rhode Island	East Providence
May 8-10	North Carolina	Pinehurst
May 13-14	Mississippi	
May 13-15	Texas	Fort Worth
May 15-16	Tennessee	Knoxville
May 15-17	New Jersey	Atlantic City
May 16-17	New Mexico	Raton
May 20-21	Oklahoma	
May 21-22	Arkansas	Little Rock
May 21-22	Maryland	Atlantic City, N. J.
May 21-23	Pennsylvania	Atlantic City, N. J.
May 22-23	Kansas	Wichita
May 22-23	Alabama	Birmingham
May 27-28	Missouri	St. Louis
June	Indiana	Fort Wayne
June 4-6	Ohio	Dayton
June 4-7	California	Del Monte
June 5-6	Wisconsin	Milwaukee
June 5-8	District of Columbia	Asheville, N. C.
June 7	Georgia	Savannah
June 9-10	Oregon	Medford
June 10-12	Michigan	Grand Rapids
June 11-13	South Dakota	Aberdeen
June 12-13	Idaho	Moscow
June 16-18	Iowa	
June 16-18	Minnesota	St. Paul
June 17-19	South Carolina	Myrtle Beach
June 19-20	West Virginia	Charleston
June 19-21	Washington	Bellingham
June 20-21	Utah	Salt Lake City
June 21	Maine	South Poland
June 23-25	Illinois	Peoria
June 26-28	Virginia	Hot Springs
June 27-28	Colorado	Glenwood Springs
June 27-28	Connecticut	New London
July 8-9	North Dakota	Bismarck
July 17-19	Montana	Great Falls
Aug. 29-30	Wyoming	Casper
Sept.	Kentucky	Louisville

American Bankers Association Meetings.

May 5-8	Executive Council	Old Point Comfort, Va.
June 16-20	American Institute of Banking	Denver, Colo.
Sept. 29-Oct. 2	Convention	Cleveland, Ohio

Regional Conferences

Mar. 20-21	Eastern Savings	New York, N. Y.
Mar. 27-28	Midwest Savings	Detroit, Mich.
May 27-28	Western Savings	Salt Lake City, Utah
Mar. 14-15	Central Atlantic Bank Management	Philadelphia, Pa.
Mar. 25-26	Southern Bank Management	Atlanta, Ga.
April 25-26	Third Southern Trust,	Montgomery, Ala.

Other Associations

April 28-30	Association of Reserve City Bankers	Memphis, Tenn.

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ARE YOUR DIRECTORS READING THE JOURNAL?

In this issue; **in every issue of the JOURNAL, there are a dozen or more new ideas, points and suggestions which deserve the careful consideration of each of your directors. More than 1500 banks are making sure that all these good things are read and used by their directors through our Group Subscription Plan. The cost is trifling; the benefits immediate and continuous. Can we tell *you* more about it?**

May	21-23	National Foreign Trade Council Los Angeles, Cal.
May	22-24	National Safe Deposit Convention Boston, Mass.
Sept.	17-20	Financial Advertisers Ass'n Convention Louisville, Ky.

How Will Group Banking Affect the Federal Reserve

(*Continued from page* 847)

Branch banking may be confined mainly to boundaries of certain states. Chain banking may reach from coast to coast and independent banking as we now know it may only exist in those states in which legislation or public sentiment are most favorable to the independent bank. Perhaps it would better describe the situation ten years hence to say that independent banking will be found profitable only in those states and isolated communities in which anti-chain and anti-branch banking legislation is most popular.

No one can deny that the future of the Federal Reserve System is closely bound up with the outcome of chain and branch banking. Possibly after all, the answer to the whole puzzling question may be effected through the Federal reserve banks. If twenty thousand independent banks are convinced that their preservation depends upon the Federal Reserve System their opinion will not be contradicted either by Congress or their city correspondents.

The independent bank is able to stop the spread of chain banking by refusing to become a member of a chain or banking group. If the country banker is coaxed, begged and threatened into becoming one of a chain the chances are that he is not thoroughly convinced that independent banking is the most desirable system of banking for the country. The inclusion of the country banks into the groups or chains is accomplished not by high pressure salesmanship nor by a cold blooded purchase of control of the bank, but rather is accomplished by convincing the country banker that chain and group banking offer something better for him and for his bank than the present system of banking.

Advertising

"A PERSONAL Letter to a Young Advertising Man," is still in demand. To anyone interested in advertising—from the young man who would like to write the bank's advertising, to the officer who O.K.'s the appropriation—copies are available and may be had free for the asking.

A New National Barometer of Credit

(*Continued from page* 845)

to a number of leading questions. The backbone of each monthly report will consist of actual figures in dollars covering net cash sales, net sales on open credit and on deferred payment.

In terms of percentage, a showdown will be made each month on "returns and allowances" on sales—the sales being classified into net cash, open account and installment. Reports on accounts due, or outstanding balances, will also be expressed in terms of actual dollars, whereas the collections for each month and for each class of accounts will be expressed in terms of per cent. To obtain the latter figure the outstanding balance as of the first of the month will be divided into collections made during the month.

Expect Startling Disclosures

THE Government will gather statistics, store by store, of the net losses for bad debts, separating the open credit losses from those on deferred payment. Eventually it is hoped better to analyze the losses by differentiating between "bad checks" and "fraudulent checks." Merchants will be coached on reporting their losses on charge-off occasioned by fraudulent buying and also their losses through the acceptance of fraudulent checks. This line of inquiry is expected to result in a sensational exposé of the penalization of credit by the practice, so common in many retail stores, of waiving or minimizing verification on purchases in amounts less than $10.

If the disclosures of the preliminary survey may be taken as a criterion, the permanent survey will afford the most forceful demonstration of the fact that, in mercantile America today, credit losses are almost invariably in inverse ratio to the size of the stores. For the first time it will become possible for bankers to compare, from an impartial showing in parallel, the performances of retail establishments which make use of credit bureaus and those that are not either members or subscribers of the local bureaus. Disparities in policy in granting credit will stand out much more sharply in the panoramic picture.

For example, it will come out, when the first reports are published, that the chain department stores throughout the country, in their eagerness for business, are following a more liberal policy in extending credit than are the independent department stores. The district offices of the Bureau of Foreign and Domestic Commerce, located in the respective cities, will act as clearinghouses for the periodical information on credits.

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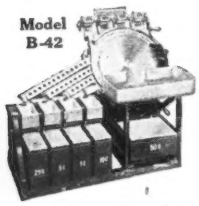
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EVERY DESCRIPTION OF BANKING BUSINESS TRANSACTED.

Business Condition

(*Concluded from page* 886)

	Jan. 1 to March 1 000's Omitted	
	1930	1929
State and munic.....	$175,382	$87,566
Public utilities.....	502,780	202,142
Industrials	32,400	31,166
Foreign	137,803	147,730
Railroads	98,068	28,721
Invest. trust.....	60,000	109,000
Total bonds.....	$1,005,533	$606,325
Total stocks.....	58,278	788,329
Grand total	$1,063,811	$1,394,754

This year the total funds raised by bond issues has been $400,000,000 larger, and the increase was shared by municipals, utilities, industrials and railroads. Stock flotations, however, are less than 10 per cent as large, and it is known that much of the stock put out last year was not to finance production and trade but to form investment and holding companies.

Rise in Security Markets

IT would not have been surprising if the bond market had been depressed since the first of the year under the burden of such heavy offerings, but on the contrary the distribution of new bond issues has proceeded in very satisfactory fashion and prices are steadily gaining.

But the stock markets have been rising also, not violently but with quiet strength. It might be said of the stock market, like the bond market, that it would not have been surprising if a reaction had occurred under the pressure of unfavorable news, which usually has as severe an effect as excessive flotations. In the face of reports of curtailed industrial activity, falling off in trade, unemployment, and the like, the manner in which stock prices have maintained themselves and actually worked higher testifies as to the sound technical position of the market. Brokerage loans have not risen in anywhere near the corresponding degree, which can only mean that the purchases being made represent accumulation for cash. Stock that is bought and put away in "strong boxes" builds a sounder market than margin purchases of certificates that are flying around Wall Street brokerage offices. It can no longer be said that there is anything abnormal about the stock market, so long as no general wave of speculative buying develops.

Business Profits

STOCKHOLDERS' reports that have been issued since the first of the year show that the curtailment in business during the final quarter of 1929 caused a severe slump in profits, but it is reassuring to find that earnings of American business for the year as a whole established a new high record. An interesting tabulation of reports of more than 1500 corporations engaged in a wide diversity of lines has just been prepared by the National City Bank of New York and is summarized below. Figures represent net profits after all charges, available for dividends or to carry to surplus, and the percentage of increase or decrease as compared with the previous year is also given:

American Corporation Earnings
(000's Omitted)

No.	Industry	Profits, 1929	Per Cent Change
9	Agricultural Implements	$63,230	+27.9
13	Amusements	68,914	+80.7
24	Apparel	21,114	+ 3.2
23	Automobiles	365,338	— 7.5
51	Auto Accessories...	62,811	— 0.4
6	Aviation	10,799	+62.0
16	Bakery	52,535	+13.6
31	Building Materials (a)	34,753	+ 3.0
22	Chemicals	198,056	+15.0
11	Coal Mining.....	9,587	+18.6
14	Confectionery and Beverage	45,142	+17.5
39	Cotton Mills.....	10,198	+ 6.6
11	Dairy Products....	46,629	+50.3
18	Drugs and Sundries	70,736	+27.2
36	Electrical Equipment	155,672	+16.8
6	Fertilizer	7,177	—38.2
9	Flour Milling.....	10,125	+25.2
25	Food Products — Miscellaneous ...	107,643	+ 5.3
19	Heating and Plumbing	45,379	+18.2
4	Hotels	1,040	+17.2
33	Household Supplies	86,282	+ 6.1
43	Iron and Steel.....	373,470	+66.4
8	Leather Tanning..	D-2,456	— —
23	Lumber and Furniture	9,516	+11.5
61	Machinery, etc....	64,372	+32.0
20	Meat Packing.....	36,206	— 7.7
35	Mdse.—Chain stores	132,615	+ 9.7
12	Mdse.—Dept. Stores	22,079	— 6.1
5	Mdse.—Mail Order.	45,067	— 8.2
8	Mdse.—Wholesale..	5,979	— 9.8
18	Metal Mfg.—Misc.	17,414	+37.0
16	Mining—Copper ...	226,340	+47.9
14	Mining—Other Non-Ferrous	94,128	+31.9
9	Office Equipment..	22,326	+28.4
11	Paint and Varnish.	18,441	+16.0
29	Paper and Products	17,155	+17.9
44	Petroleum	615,926	+16.2
9	Pipe Lines.....	25,420	+19.9
18	Printing and Publishing	33,444	+10.3
16	Railway Equipment	49,021	+44.2
2	Rayon	3,023	+23.1
10	Real Estate.....	10,014	+ 5.1
9	Restaurant Chains.	7,331	+31.8
16	Rubber Tires, etc..	36,953	+52.4
15	Shipping, etc.....	16,318	+59.5
10	Shoes	26,739	+ 4.6
16	Silk and Hosiery..	9,294	+ 8.2
5	Stock Yards.....	2,161	+ 8.6
18	Sugar—Cuban	D-3,195	— —
12	Sugar—Other	6,601	—53.3
16	Textile Products—Misc.	18,052	+ 8.3
24	Tobacco	116,688	+11.6
2	Wool	D-792	— —
62	Miscellaneous	112,983	+17.7
1,036	Mfg. and Trading..	$3,641,793	+18.1
180	Railroads (b)	1,274,774	+ 6.7
98	Telephone (b)	P-372,000	+ 7.1
95	Other Utilities (b)	P-1,009,000	+16.2
60	Banks	217,358	+23.3
40	Insurance	75,950	—44.5
1,509	Grand Total.....	$6,590,875	+13.5

D—Deficit.
P—Preliminary.
(a) Includes building specialties.
(b) Net operating incomes.

The Outlook for Money

THE reduced demand for stock market funds, a general relaxation of money rates throughout the world, the unusually liquid position of leading

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banks, a steady decline in loans on stocks and bonds, coupled perhaps with the recession in commodity prices, are factors that point to continued ease of money rates.

The First National Bank of Boston believes that the slower tempo of current business will keep rates on "a comfortable basis" for the present. "The recent lowering of the rediscount rate," it is pointed out, "by the New York and other Federal reserve banks has tended to accentuate the downward trend. Usually an advance in interest rates takes place in February, but the seasonal upturn may likely be deferred this year because of subnormal business. Easy money conditions should prevail for at least the first half of the year, providing, of course, that the Federal reserve banks do not reverse their policy of open market operations."

The monthly review of the Federal Reserve Bank of St. Louis says:

"Liquidation of loans at commercial banks and the Federal Reserve Bank continued in considerable volume during the past thirty days. Settlements were well diversified, both with reference to geographic location and the various borrowing interests. Demand for credit from commercial and industrial sources, while somewhat less active than thirty days earlier, was still in large volume, and only minor variations were noted in the rates charged customers by the commercial banks. Quite generally through the district, but more particularly in sections where tobacco is the principal crop, counry banks further reduced their indebtedness to city correspondents, and in a number of instances these banks were seeking investments for surplus funds. Due to the liberal movement of live stock to market, occasioned by the high prices prevailing, there was a substantial reduction in loans based on that class of property. Demand for funds to condition live stock for market, however, continues active."

The Royal Bank of Canada, discussing a possible shortage in the world's supply of monetary gold, suggests that the United States and Great Britain, as the principal lenders, should exert pressure on financially less important countries to the end that the latter would not needlessly horde gold. The bank's economist writes:

"If, for example, we could visualize 75 per cent of the monetary gold stocks of the world concentrated in New York, London and Paris with the bulk of the smaller countries redeeming note issues at a fixed rate of exchange, there would be no doubt about the ability of the central banks in the three countries mentioned to control, within moderate limits, the relation of gold to commodities; in other words, the price level."

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Statements of earnings and balance sheet for the year of 1929 will accompany dividend checks.

This statement, and with it a list of products made by Stewart-Warner Corporation and subsidiary companies, will be mailed on or after Feb. 15, 1930, to any address upon application.

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Chairman:
THE RIGHT HON. R. McKENNA
Managing Director: FREDERICK HYDE

Statement of Condition

December 31st, 1929

ASSETS	$5 = £1
Cash in hand and Due from Banks ..	$326,467,222·62
Money at Call and Short Notice ..	108,354,546·92
Investments	164,644,452·56
Bills Discounted	293,918,283·73
Advances	1,061,693,370·40
Liabilities of Customers for Acceptances, Confirmed Credits and Engagements	187,371,831·20
Bank Premises	44,822,676·81
Other Properties and work in progress	6,066,746·44
Investments in Affiliations	35,608,327·40
	2,228,947,458·08

LIABILITIES	
Capital Paid up	67,164,840·00
Surplus	67,164,840·00
Deposits	1,907,245,946·88
Acceptances and Confirmed Credits ..	98,896,089·06
Engagements	88,475,742·14
	2,228,947,458·08

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Paving the Way for the Young Loan

(*Continued from page* 865)

Dawes issue was the sound investment character of the bonds themselves, being secured *inter alia* by a first charge on the gross revenues of the German Government derived from the customs and from the taxes on tobacco, beer and sugar, and by a lien on the net revenue derived from the spirits monopoly. For the year ended March 31, 1929, revenues hypothecated for the service of the Dawes loan aggregated RM2,827,000,000, equivalent to almost four and one-half times the entire principal amount of the loan outstanding, and making the bonds one of the best secured loans outstanding. The bonds are not callable except for the sinking fund, amounting to about 4.2 per cent of the issue.

Today, prior to the attempt to float German reparations bonds provided in the Young plan, an American under-secretary of state, in an address before owners and editors of newspapers, magazines and trade journals, made the following significant remarks regarding Germany:

"As a result of rationalization, Germany has accomplished great reforms in her productive equipment, and her present industrial condition is vastly improved. . . . Productive activity has been maintained at a relatively high level, and her merchandise exports have shown such an increase that . . . last year showed a favorable balance."

The Dawes Loan

THE Dawes loan was an outstanding success. It was heavily over-subscribed and immediately went to a premium. With but one exception, bonds have never sold below the issue price, and even during the recent weakness in the bond market the Dawes issue not only did not sell below the issue price, but was quoted appreciably above the price at which bonds are callable for the sinking fund. At prevailing prices they yield less than 6½ per cent, or considerably below the return on other German issues.

The security which will be available for the Young loan is not less impressive than that enjoyed by the Dawes issue. The so-called controlled revenues assigned to the latter amount to over RM2,800,000,000, as compared with about RM73,000,000 required to meet interest and sinking fund payments on the bonds, and leaving well over RM2,700,000,000 available for the service of the first series of the proposed Young loan. To be sure, the Young issue will thus be secured by a second lien on revenues, but since the latter are so large and very materially in excess of the whole issue, to say nothing of requirements, the Young loan should be regarded as an associate of rather than junior to the Dawes loan. It may also be helpful to have the first portion of the issue guaranteed—if possible—by the Bank for International Settlements, or even by certain of the central banks. Of additional help would be a provision that bonds are acceptable in certain countries for tax payments at par. In order, however, to assure the success marketwise, offering to the public of a 6 per cent issue at about 95 per cent might be undertaken. With security

unquestioned, and price attractive, over-subscription and quotation at a premium should doubtless result.

The Beginning of a New Era

IN this way, the Young loan may—like its predecessor, the Dawes loan—mark the beginning, for the second time, of a new era of large loans abroad, which, according to close observers, will prove a very effective remedy for whatever uncertainty there may exist today. Thus, while it has been, and always will be, profitable to be "long" of United States, the future course of events is likely to prove the futility of selling "short" the rest of the world.

In summing up, the writer wishes to point to a number of developments which will, in all probability, occur—some of which may already have taken place—prior to the successful flotation of the Young loan:

1. Successful flotation of whatever issues may be offered in behalf of, or in connection with Germany;

2. Rising securities markets abroad and at home;

3. Lowering of money rates in leading financial centers;

4. Over-subscription of Bank for International Settlements issue;

5. Favorable comments on forthcoming Young loan from influential quarters;

6. Excellent security which Young loan will enjoy;

7. Relatively small amount will be allocated to each of leading financial centers;

8. Favorable outcome of Naval Conference expected to immediately precede or synchronize with offering of Young bonds.

The March Conferences

THE Central Atlantic States Bank Management Conference will be held March 14 and 15 in Philadelphia at the Bellevue-Stratford Hotel.

The conference is under the auspices of the Commission on Banking Practices of the American Bankers Association, and the bankers associations of Delaware, District of Columbia, Maryland, New Jersey, New York, Pennsylvania, West Virginia and Virginia.

On March 20 and 21 will be held the Eastern Regional Savings Conference under the auspices of the Savings Bank Division of the American Bankers Association at the Commodore Hotel, New York. Julius H. Barnes, chairman of the National Business Survey Conference, will speak on "The Thrift Motive in Modern Business."

The Midwest Savings Conference will meet in Detroit on March 27 and 28.

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Budgetary Control

An address on this subject delivered at the annual meeting of the Babson Statistical Organization is now available in booklet form and will be sent to interested executives.

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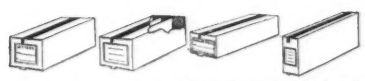
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INDEX TO ADVERTISERS

	Page
A. B. A. Cheques	859
American Appraisal Co	914
American Clip Co	913
American Credit Indemnity Co	907
American Depositor Corporation	908
American Express Co	I
American Founders Group	XI
American Institute of Steel Construction	851
American Stainless Steel Company	904
Anaconda Copper Mining Co	2nd Cover
Banca Nazionale Di Credito	916
Bank Vault Inspection Co	894
Bankers Trust Co	859
Bush Terminal Co	891
Central Banknote Co	915
Central Hanover Bank & Trust Co	883
Central Trust Company of Illinois	855
Chemical Bank & Trust Co	912
Continental Illinois Company	XIV
Crane & Co., Inc	856
Dahlstrom Metallic Door Co	II
Doherty & Co., Henry L	909
Downey Company, C. L	916
Empire Bond & Mortgage Co	916
Equitable Trust Co	879
Ernst & Ernst	902
Fidelity & Deposit Co. of Md	VIII
Finnell System, Inc	903
First National Bank of Chicago	875
First National Bank, St. Louis	868
Foreman Banks	872
General Motors Acceptance Corporation	914
General Surety Co	864
Gilbert, Clinton	917
Gilbert Paper Co	X
Guardian Trust Co	916
Guaranty Trust Co	911
Hanchett Bond Co	917
Hoggson Brothers	897
Indiana Limestone Co	IV
Kay-Dee Co	919
Lamson Company	XIII
La Monte & Son, George	895
Leonard & Co., Ralph B	917
Marchant Calculating Machine Co	905
Marine Trust Co. of Buffalo	889
Mercantile Commerce Bank & Trust Co	906
Midland Bank, Ltd	918
Monroe Calculating Machine Co	XII
Moody's Investors Service	860
Moran, Inc., B. T	852
Mosler Safe Co	896
National Ass'n of Mutual Casualty Cos	3rd Cover
National Cash Register Co	884
National City Co	898
National Electric Power Co	915
New York Trust Co	913
Otis & Co	901
Padua Hold-Up Alarm Corporation	913
Philadelphia National Bank	IX
Remington Rand Business Service, Inc	4th Cover
Ronald Press Co	VII
Safe-Guard Checkwriter Corp	893
Sargent & Greenleaf, Inc	910
Scott & Sons Co., O. M	918
Scovell Wellington and Co	919
Security-First National Bank of Los Angeles	892
Shaw Walker	863
Standard Statistics Co., Inc	887
St. Louis Bank Building & Equipment Co	888
Stewart Warner Corporation	917
Stoeger, Inc., A. F	919
Tilghman Moyer Co	900
Todd Company	VI
Union Trust Co. of Cleveland	890
Winslow Boiler & Engineering Co	867
Willys Overland, Inc	871
Wroe & Co., W. E	899
Yawman & Erbe Mfg. Co	880
York Safe & Lock Co	876



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WHAT DO YOU THINK?

Being a more or less personal talk between the EDITOR *and the* READER

The First Question

"YOU can rest assured that if you go into a country bank these days about the first question that will be asked you is whether or not you have sold out to a chain," observes a country banker. And in some parts of the country, "the yeas have it," as presiding officers are wont to remark.

Not So Eager

CLEARINGHOUSE associations and credit bureaus are rapidly enlarging the flow of information between banks in the opinion of H. A. Richardson, vice-president of the Conqueror First National Bank, of Joplin, Mo. He writes:

"In do not believe bankers of today are as eager to enter into other banks' channels or to get their accounts as they have been in the past and in my opinion under similar organizations for county and state it will be only a short time until information can be had from one bank to another whether or not a customer is in liquid condition with them."



Standard Cost Method Needed

"IT will be surprising to find how uniform the costs are if a uniform method of distributing the expenses over the various departments is used," said George S. Eccles, vice-president, First National Bank, Ogden, Utar, in the Pacific Northwest Bank Management Conference. "The discrepancy in our cost analysis figures comes from different distribution of expenses. Some banks charge as much as five cents per check, others only one and a half cents, some charge three cents for transit items, others one cent, some two cents for clearing items, other three-fourths of one cent, some have a charge for handling the deposit, and others have no such charge in their analysis.

"With a business as standardized as banking is, I can't see why we as bankers can't arrive at standard methods for finding out costs. If this is done the variance in these costs will not be very great. This will at least give us uniform cost figures to present to the chain stores, railway and express companies and show them that we are entitled to proper compensating balances. We will know what balances are necessary and if they are not forthcoming we can then adopt proper service charges based on actual cost analysis."

Officers Salary for Clerical Work

A. F. YOUNG, vice-president of the Guardian Trust Co. of Cleveland, in an address before the Mid-Winter Trust Conference, touched upon a possible waste of salaries in the conduct of trust departments. He said:

"In many trust departments—I fear in most trust departments—the junior officer is more—or shall I say less than a supervisor and contact man. He is also required to perform endless clerical detail. And as the business grows more junior officers are added, each following the established practice of combining the functions of clerk and officer. This does not make for efficiency. In the first place it is poor business to pay an officer's salary for clerical work, and in the second place it is even worse business to hamper a junior officer so that he cannot do the more responsible job for which he is paid. A man overburdened with detail can scarcely resist the impulse to get rid of clients as quickly as possible so as to crawl back into the mess of work with which he is surrounded. It is hard for him to be patient and courteous; hard to be wise or even to seem wise when he is wanted on two telephones at once and eager to get away from both in order to compute the amount of rental to be inserted in a dozen statements which have to get in the mail by four o'clock. The junior officer who has to do these things must have bank president material in him if he can do them without living in a physical and mental clutter which will eventually undermine his own self-confidence and the confidence of the client. Brains are essential in the junior trust officer, but they go for little in the absence of patience, courtesy and serenity. If any part of the message I bring you today should be emphasized more than another it is this: don't drown your junior trust officers in detail."

Concentrate on the Bank

CONCENTRATE on the bank was the advice given by John A. Reed, State Examiner of Wyoming, in talking to the Pacific Northwest Conference on Bank Management in Portland. He said: "It is incumbent upon those of us engaged in banking to devote our entire time toward the advancement of our bank and not toward the advancement of outside interests. By so doing the additional profit derived would ultimately result in greater financial gain to our bank and ultimately through the bank to us individually than if we tried to maintain various interests demanding so much attention that it would be impossible to give attention in sufficient proportion to produce satisfactory results. Too many side issues sooner or later bring about complications not only to the outside interests but the bank as well, which in all probability may have furnished funds for the advancement of these private affairs."

More Employees Should Have It

THE sole object of the American Bankers Association Journal is to publish information—never to attain mere cleverness. Here are excerpts from our current mail indicating the utility of the information which is assembled each month:

"We find that most of our directors appreciate your publication and that it adds to their interest in the affairs of the bank."—F. D. Leonard, president, Stoughton Trust Co., Stoughton, Mass.

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"You have one of the most useful of all publications in the field of applied economics."—Prof. Charles L. Stewart, College of Agriculture, Urbana, Ill.

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"The Journal is the most helpful publication that has ever come to us. We are especially interested in the float charge which we are planning to effect here very soon."—E. S. Blodgett, Bank of Homestead, Homestead, Fla.

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"It goes without saying that the necessity for the Journal's constant use not only as temporary reading material but as a book of reference cannot be too highly estimated and I am satisfied that the resultant good will be appreciated by the bank employees having access to a copy of their own."—A. D. M. Osborne, president, First National Bank, Bakersfield, Cal.

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"I find the magazine literally alive with helpful material and information."—Deane W. Malott, economist, Hawaiian Pineapple Company, Honolulu.

The Enlisted Saver

THE higher rate of interest offered by competing enterprises may not be the most powerful factor in taking savings away from the banks.

Think a lot about savings plans which set up a definite, legitimate objective and commit the saver to periodical deposits at specified times.

When he goes into a savings plan providing for uniform payments, at stated times, and with the objective clearly defined and straight ahead, then the average man has in a sense "enlisted" in a system. He expects to "march" and does "march" at appointed times. Soon this becomes a habit, and with many persons it is easier to follow that mental pathway than it is to strike out in a new direction.